Bangladesh Journal of Political Economy

Vol. 34, No. 1, June 2018, pp. 395-420
Bangladesh Economic Association
(ISSN 2227-3182)

Ethical Banking: Bangladesh Perspectives

M. Kabir Hassan*
Md Golzare Nabi**
Rafiun Nabi***

Abstract: *Ethical banking has drawn worldwide attention following concerns resulting from acute financial crisis, environmental problems, financial exclusion and lack of socially responsible investment. Environment has become a key focus for banks wishing to appear more ethically oriented or adopt more environmental practices. Ethical banking that emphasizes socially responsible or sustainable finance has become a significant issue in the financial industry in Bangladesh like other countries of the world. Since ethical banking plays vital role in attaining objectives towards sustainable development, Bangladesh has introduced sustainable finance and related programs for financial industry in recent years. Given this, the present study aimed to investigate the status of commercial banks in Bangladesh from ethical perspectives.*
Keywords: Ethics, ethical banking, green banking, corporate social responsibility and financial inclusion, JEL Classification: G21, O16, Q01

* 2016 IDB Laureate in Islamic Banking and Finance, Professor of Finance and Hibernia Professor of Economics and Finance and Bank One Professor in Business, Department of Economics and Finance, University of New Orleans, New Orleans, LA 70148, Email: mhassan@uno.edu

** PhD Candidate (Finance), School of Business Innovation and Technopreneurship, University Malaysia Perlis (UniMAP), Malaysia and Deputy General Manager, Research Department, Bangladesh Bank, Central Bank of Bangladesh, e-mail:golzare@gmail.com

Corresponding Address: Research Department, Bangladesh Bank, Central Bank of Bangladesh, Dhaka, Bangladesh. E-mail: golzare@gmail.com or golzare.nabi@bb.org.bd Cell: 88-02-01716480. Views expressed in the article are authors' own and do not reflect the views of the institutes in which they work.

*** BBA Student (Final Year), School of Business and Economics, North South University, Bangladesh, E-mail: rafiun.nabi@northsouth.edu

1. Introduction

Ethical banking has drawn worldwide attention following concerns resulting from acute financial crisis, environmental problems, financial exclusion and lack of socially responsible investment. Leading researchers like King and Levine (1993), Beck and Demirgue-Kunt (2004) and Demirgüc-Kunt et al., (2008) find positive association between an efficient financial system and its benefits to the real economy. Well-performing commercial banks allocate financial resources efficiently among competing economic agents for promoting savings and investments aiming at higher growth and poverty alleviation. However, only well-performing banks can intermediate funds between savers and investors efficiently which affects investment and growth positively. Inefficient banks incur wastages of resources and create pressure on public expenditures which may trigger financial instability. Now, It is also recognised that banks need to be ethical for supporting the financing of environmental friendly productive activities, encouraging small enterprises of low capital people and promoting corporate social responsibility for poor and destitute people viz-a-viz maintaining financial efficieny. Ethical banking that emphasizes socially responsible or sustainable finance has become a significant issue in the financial industry in Bangladesh like other countries of the world. In order to promote ethical banking, Bangladesh has undertaken various steps relating to sustainable finance, financial inclusion and corporate social activities. Given this, the present paper will examine current status of ethical banking in Bangladesh in order to derive necessary policy options for promoting ethical banking.

In Bangladesh, the commercial banks play significant roles as major sources of financing economic activities in private sectors due to underdeveloped capital market. Banking sector in Bangladesh has shown significant progress in terms of financial deepening, growth in assets, number of bank, expansion of branches and number of account holders. The key indicator of financial development, the ratio of broad money (M2) to GDP stood 53 in FY16 which was 30 in 1990, 32 in 2000 and 45 2010. The banking sector comprise 56 banks with assets of BDT 12326.4 billion (71.13% of GDP), 9453 branches and account holders of 78.81 million in FY16 (Bangladesh Bank, 2016b and Bangladesh Bank, 2016d). Bangladesh belongs to a dual banking system comprising interest based conventional banks and interest free Islamic banks. Despite robust progress, the banking sector faces some key problems such as such as higher lending rate, growing amount of non-performing loan, higher interest spread, and concentration of loan in trading sector and lower investment in socially desirable sectors such as agriculture, poverty alleviation, education and health.

Though the banking firm is not a philanthropic organization and it is a risk-oriented business or commercial entity, it should not focus only on profit motive. Profit is necessary to satisfy depositors and other suppliers of funds. Profit is also necessary for survival of the bank that has to operate in a highly competitive environment. However, banks cannot ignore demands of the community in which they operate. In addition to normal business of financial intermediary based on trust and profit motive, banks need to focus on ethical banking for promoting sustainable finance, small business, women entrepreneurship, and corporate social responsibility and avoiding money laundry, terrorist financing and other related harmful activities. Alamgir, M (2015) rightly argues that ethical banking is what follows all rules and regulations of environment, social justice and investment process maintaining good governance and not just focusing on profit alone at the cost of public interest. Given this, the present study would investigate the status of commercial banking activities in Bangladesh from ethical perspectives.

The objectives of the paper are two-fold: firstly, examining status of commercial banks in Bangladesh from ethical perspectives and secondly, to provide policy inputs for improving ethical banking in Bangladesh. To derive the objectives, the paper uses descriptive analytical tools.

The paper has been organized in eight sections. After introductory first section, the second section reviews literatures on ethics, business ethics and banking; the third section explains concepts of ethics, business and banking business and focuses on significance of ethics in banking; the fourth section presents an overview of banking in Bangladesh; the fifth section focus on present status of ethical banking in Bangladesh and finally, the sixth section analyses challenges and policy options for promoting ethical banking in Bangladesh.

2. Literature Review

Though ethical banking is gaining popularity, only few literatures are available on the issue.

Rahman, Muhammad Habibur (1999) provides definition of ethics, its sources and significance in banking in the context of Bangladesh and other countries. The author simply defines ethics as ‘good behavior that recognize the rights and interest of others as well as society as a whole’. The author mentions that religion and law are major sources of ethical conduct meaning that both religion and law influence ethics. The author recommends for social and legal steps for maintaining ethical standards in banking sector in Bangladesh.

Mahmud, W. (2005) focuses on roles of ethics in the functioning of banking business that are special kind of public companies securing depositors' interest. The author argues that the act of investment is at the heart of capitalism which involves one party lending money to another in the hope of a fair return. The system cannot function without trust -trust that the money so lent will not be stolen or diverted to illegal purposes. The author terms the 'financial markets' as the "brain" of the economic system; its failures do not only affects the sector's profit, but it also influences the performance of the entire economic system adversely.

Graafland, J. J. (2007) analyzes the relationship between neoclassical economics and ethics. The author critically examines the core assumptions that underpin the economic defense of free market operation, and highlights the characteristics of different ethical theories that can be used to evaluate the free market and demonstrates how these can be applied to economics.

Islam, A. B. Mirza Md. Azizul (2011) offers excellent insights on roles of ethics in banking. He defines ethics as the study and philosophy of man with emphasis on the determination of right and wrong and also as the basic principles of right action, moral principles, moral philosophy etc. The author examines four pillars of ethics in banking: (i) comply with all laws, rules and regulations to ensure soundness of operations. (ii)fair and equitable treatment of all stakeholders, (iii) full, truthful and transparent disclosure of their financial health, and (iv) behave as socially responsible corporate citizens.

Gomez-Mejia, L. R., & Balkin, D. B. (2012) mention that ethics are principles that explain what is good and right and what is bad and wrong and that prescribe a code of behavior based on these definitions. The authors opine that personal experiences and religious, educational and family training affect ethical value systems. The authors mention that there are four key ethical approaches that can affect in making business decisions. The four key ethical approaches include utilitarianism, individualism, the rights approach, and the justice approach.

The authors observed that under utilitarianism, decisions are made on the basis of what is good for the greatest number of people; in individualism, personal self-interests play the key role. The right approach pays importance on fundamental human rights in taking business decision. The justice approach treats all people fairly and consistently in making business decisions. The authors mention that the use of ethical approaches depends on the degree of economic freedom in society and the degree of concern for the community.

Alamgir, M. (2015) examines roles of ethics in banking and presents ethical banking status in Bangladesh including different financial scams in home and abroad. The author defines ethics as the discipline and practice of applying value to human behavior that represents the basic concepts and fundamental principles of decent human contact and conduct. The author recommends policy options for maintaining ethical standard in banking sector.

3. Ethics, Business and Banking

3.1 Concepts of Ethics

The English word 'ethics' is derived from the ancient Greek word, the adjective "ethikos" which is itself came from another Greek word, the noun "ethos" meaning "habit, custom, character, disposition". Though there are diverse views regarding ethics expressed by many scholars, it is not difficult to have a simple understanding of ethics from literatures reviewed in earlier section and other sources.

According to definition of Merriam-Webster Dictionary, ethics are rules of behavior based on ideas about what is morally good and bad. Ethics is an area of study that deals with ideas about what is good and bad behavior. Rahman, Muhammad Habibur (1999) opine that ethics expressed by good behavior recognize the rights and interest of others as well as society as a whole. Velasquez, Manuel G. (2011) defines ethics as the study of morality that is concerned with the standards that an individual or a group has about what is right and wrong or good or evil. Inspired by Jeremy Bentham's and John Stuart Mill's utilitarian view of ethics, Islam, A. B. Mirza Md. Azizul (2011) opine that ethics implies the greatest good for the greatest number. According to Alamgir, M. (2015), ethics is based on value system which refers to important and lasting beliefs pertaining to right and wrong, fair and unfair, good and bad and desirable and undesirable handed down in society through customs, tradition, religion and anchoring these families.

3.2 Business and Ethics

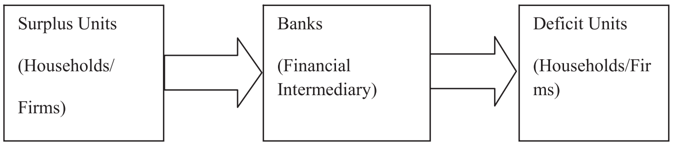
A business firm is a commercial entity that is established to produce goods and services in order to earn profit. In a modern economy, a business firm is a form of cooperation engaging production, exchange and distribution of goods and services. Different business firms ranging from agricultural, industrial and service oriented firms produce many goods and services in order to cater the diverse demands of customers. Though a business firm is profit oriented, it has to follow ethical standards and consider social implication of its activities in order to survive in a highly competitive corporate world. This implies that ethical issues play vital roles in shaping practices and decision-making process in business. During 1960s business ethics as a vital concept arose following emergence of consumer-based society and rising concerns on environment, social causes and corporate responsibility.

Business ethics is the study of proper business policies and practices on corporate governance, corporate social responsibility and fiduciary responsibilities. In democratic countries, business firms have to follow ethical practices codified as laws and regulations that encourage businesses to conform to society's standards, values, and attitudes (Ferrell, O. C., Hirt, G., and Ferrell, L., 2012). They often declare ethical standards/codes/statements to gain public acceptance. Business ethics is now not just a moral code of right and wrong; it goes beyond that limit to meet legal, regulatory and professional standards, maintain promises and commitments and abide by general principles like truth, fairness, and honesty in production, exchange and distribution of goods and services. Thus ethics play significant roles in modern day business world (Ghosh et al., 2011; Oluwafisoye, O., & Akande, O., 2013; Donaldson & Walsh 2015).

3.3 Banking Business in Brief

Concepts and Roles of Banking: Banking business is regarded as the financial intermediary that mobilizes funds from savers to allocate the gathered funds as loans among deserving economic entities (Figure 1). Banks play crucial roles in the economy to keep its wheel moving forward by accelerating saving-investment process, smoothing payment system, promoting domestic and international trade and working as conduit for implementation of monetary policy. The channeling of funds from surplus units to deficit units causes growth and welfare in the economy by providing investors' funds for financing productive projects and helping people purchases of consumer goods.

Figure 1: Flows of Funds from Surplus to Deficit Units



Source: Matthews, K. and J. Thompson (2008)

In a fact, banks are the backbone of modern economy; no modern economy can go even a day without bank. Without a well-functioning set of financial intermediaries, an economy cannot reach its full potential of resource utilisation. A growing number of literatures also supported the fact that financial sector development causes growth (King & Levine 1993a, 1993b and Beck, T., & Levine, R. 2004). On the other hand, inefficient and fragile financial intermediation can create financial instability causing increase in non-performing loan and public debt and falling in GDP growth (Reinhart, C. M., & Rogoff, K. S. 2013).

We observe presence of banking since ancient times when banks as financial intermediaries took deposits from households having surplus funds and made loans to economic agents having interest to invest in productive projects. As time passes, the nature of jobs of banks and its operational procedures have also changed to cater the diversified demand of depositors and investors. The intermediation theories have evolved over the years to provide insights on the nature and process of financial intermediation in resources allocation.

The theoretical literature on financial intermediation has revealed that transaction costs, asymmetric information and risk diversification have acted as the key factors behind the emergence and existence of banks to play roles as financial intermediaries (Bhattacharya and Thakor 1993; Diamond, D.W. 1996; Allen and Santomero 1997; Matthews, K. and J. Thompson, 2008, and Mishkin, F. S. 2015). The importance and roles of banks and other financial intermediaries in financial markets can be realized by understanding how they reduce transaction costs, manage risk, and solve problems created by asymmetric information in financial markets. Lowering transaction costs drastically, managing risk prudently and solving asymmetric information problems have innovatively worked as the key drivers for emergence and functioning of modern commercial banks.

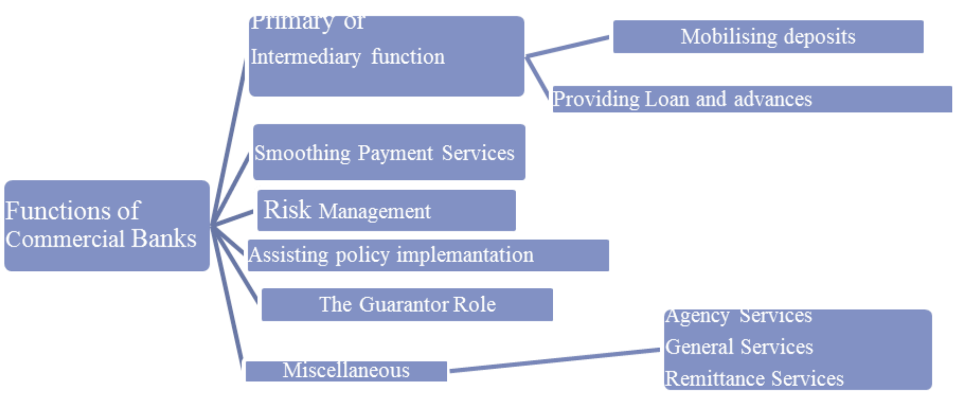
Objectives of Commercial banks: Commercial banks run banking business with the objective of maximizing profits for the shareholders. To obtain this object, commercial banks collects funds either taking deposits from individuals and institutions or borrowings from money markets and provide loans with collected funds to productive projects. Commercial banks charges higher interest on funds disbursed as loans as compared to interest paid on deposits and borrowed funds.

Banks incur profit by a positive spread between the expected return on loan projects and expected interest cost of funds and other operation costs. In addition, banks earn non-interest income in the form of fee and charges by providing different services to their clients. Thus, commercial banks are profit-seeking business firms, dealing in money and credit. In recent times, commercial banks focus on social issues beyond profit motive.

Functions of Conventional Commercial Banks: The analysis of theoretical background of commercial banking upholds that the key function played by commercial banks as financial intermediaries lies in channeling funds from savers to investors aiming at keeping the wheel of the economy moving forward. In addition to financial intermediation, commercial banks also perform other important jobs to remain competitive and responsive to public needs arising from changing of time. In the light of Rose, P., & Hudgins, S. (2013), functions of commercial banks are depicted in Figure 2.

Primary or Intermediary Function: Banks mobilizes deposits from savers and provides loans with the funds gathered as deposits to business houses and other needy economic agents for investment in productive projects, trade and other necessary works. In a fact, the job of financial intermediary i.e, channeling funds from savers to investors has been dubbed as the key function of commercial banks.

Figure 2: Functions of Conventional Commercial Banks



Smoothing Payments Services: The theories of financial intermediary reveal that banks emerge for lowering transaction costs. Banks play key role in smoothing payments services by carrying out payments for goods and services on behalf of their customers at lower cost. To perform such jobs, banks issue and clear checks, remit funds and provide ATM services for 24 hours in a day.

Managing Risk: As theories of financial intermediary also find that commercial banks act as risk manager in investing savers' funds at lower cost compared to individuals can do following expertise and economies of scale. In this regard, banks monitor and control risks in managing deposits, loan portfolio and off-balance activities. The core risks include credit risks, liquidity risk, market risk, money laundering risk, technology risk, environmental risk and compliance risk.

Implementing monetary policy: Banks serve as a conduit for implementing monetary policy in order to manage money supply and liquidity of the economy for attaining higher growth, price stability and employment generation.

Playing guarantor role: Commercial bank issues letter of credit on behalf of its customers to facilitate foreign trade and finances foreign trade by accepting foreign bills of exchange.

Performing agency services: Commercial banks perform various agency functions on behalf of customers which includes collecting and clearing cheque, dividends and interest warrant, making payment of rent, insurance premium, dealing in foreign exchange transactions, purchasing and selling securities, acting as trusty, attorney, correspondent and executor, accepting tax proceeds and tax returns etc.

General services: The general functions performed by banks include providing safety locker facility to customers, issuing travelers cheque, acting as referees and accepting various utility bills for payment e.g phone bills, gas bills, water bills, etc.

Remittance service: Commercial banks provide internal and external money transfer services. Banks play crucial roles in mobilizing foreign remittances that contribute a lot in building foreign exchanges reserves and ensuring BOP stabilization.

In fine, major functions of bank includes intermediation, maturity transformation, credit allocation and facilitation of payment flows that affect the functioning of the entire economy by augmenting saving-investment process to keep the wheel of the economy moving forward.

3.4 Ethics in Banking Business and its Significance

As banking is a part and parcel of modern economy, it has to consider social ramifications of its operations beyond profit and obey laws and regulations relating to business ethics. It is clear from the operational procedures of banking firms that banks deal in with public money with a commitment of return on demand with fair earning. Obviously, banking operation is based on trust between depositors and banks and banks and investors. There are several potent reasons which underlie the importance of ethics in banking across the world.

Cowton, C. J. (2002) opines that banking, common in other areas of finance is often considered an amoral field that focuses purely on risk and return. However, the author thinks that ethics have links to banking that can be explained with applying three terms such as integrity, responsibility and affinity. Integrity plays vital role generating the trust necessary for any banking system to flourish, responsibility points out contemporary banks' need to take into account the consequences of their lending policies, and affinity represents a set of relatively novel ways which can bring depositors and borrowers close together. However, such trend is not found in conventional western banking.

Islam, A. B. Mirza Md. Azizul (2011) opines that banking sector activities are characterized by pervasive asymmetry of information. On the liability side, the depositors are not fully aware of the liquidity and asset quality of the banks in which they keep their deposits. The depositors cannot be entirely sure about the safety of their deposits or of a fair return on the deposits. On the asset side, banks cannot be fully confident about the ability of the borrowers to repay in due time in spite of all the safeguards that may be put in place by way of collaterals and/or rigorous screening of loan proposals. Such asymmetry of information implies that banks can take depositors for a ride. The borrowers, on the other hand, can take the banks for a ride. The banks could also deliberately engage in loose lending practices with a view to favouring particular parties connected to sponsors, directors, senior bureaucrats, political parties etc. or simply out of greed at the cost of basic principles of prudence. Clearly, trust is a vital ingredient of the banking system; breach of trust by any party would affect the banking system negatively.

Table 1: Structure of Banking System in Bangladesh (2016)

Bank Types	No. of Banks	No. of	Assets (BDT in	Percent of Industry	Deposits (BDT in	Percent of Industry
SCBs	06	3700	3219.1	26.1	2447.4	29.0
DFIs	02	1407	302.2	2.5	247.4	2.9
PCBs	39	4271	8254.6	67.0	5382.3	63.8
FCBs	09	75	550.6	4.5	358.9	4.3
Total	56	9453	12326.4	100.0	8436.0	100.0

Source: Bangladesh Bank (2016b).

Alamgir, M (2015) defines ethics in banking as trust, efficiency, openness, transparency and accountability, development and community involvement. Trust brings savers and borrowers together through bank's intermediation. Trust allows banks to borrow short and lend long. Trust bestows authority in banks to allocate resources to alternative uses albeit with some prompting from policy makers and supervisory authorities. Trust underwrites banks' role in payments and fund flow.

The author also opines that efficiency is at the core of sound and ethical banking which can be attained through efficient mobilization of deposits and use of funds efficiently. All payments and charges, advances and investments and annual audited financial accounts and statements should be transparent and available in public domain should. Openness and transparency will enhance public trust in banks. Alamgir, M (2015) also opine that ethical banking is also about inclusive growth and socioeconomic development that is environmentally sustainable. In other words, focus of ethical banking is on triple bottom line: financial return for investors, real delivered value for customers, and sustainable social value for society.

It is evident that ethical issues have emerged to play important roles in shaping modern banking following worldwide increasing focus on human banking, financial inclusion, sustainable finance and corporate social activities.

4. An Overview of the Banking System in Bangladesh

Bangladesh Bank, the central bank is at the top of the financial system in Bangladesh. The other members of the financial system comprise commercial banks, non-bank financial institutions, microfinance institutions, insurance companies, co-operative banks, credit rating companies, merchant banks, brokerage houses and stock exchanges (Bangladesh Bank, 2015a).

However, the banking sector dominates heavily in the financial sector in Bangladesh which includes 6 state-owned commercial banks, 2 government-owned specialized development banks, 39 domestic private commercial banks, and 9 foreign commercial banks in FY16 (Table 1). Domestic private commercial banks are the major players among all types of banks in Bangladesh. (Bangladesh Bank, 2016b).

Financial development indicators such as M2-to-GDP (53%), private credit-to-GDP (35%) and total deposits-to-GDP (49%) have risen significantly following adoption and implementation of market based Financial Sector Reform Programs and augmentation of private banking activities. Though the banking sector in Bangladesh has made progress in terms of assets and financial deepening, it confronts some major challenges such as higher interest/profit rate spread (above 5%), growing amount of non-performing loan (over 10% of loan portfolio), concentration of loan in trading sector (35.81% of loan portfolio) and lower investment in socially desirable sectors such as agriculture, poverty alleviation, education and health (only 5%-6% of loan portfolio) (Bangladesh Bank (2015d).

5. Present Status of Ethical Banking in Bangladesh

Ethical banking means conducting banking operations maintaining trust among stakeholders, promoting sustainable banking with financial inclusion and corporate social activities, expanding microfinance for microenterprises and encouraging women entrepreneurship.

5.1 Maintaining trust with stakeholders

Banks offer deposit services among different types of customers including corporate entities. Deposit services provide both saving and safety facilities to customers. Bank deposits stood BDT 8474538 million in end-June 2016 which shows deep trust between banks and customers. Bank deposits are regarded as blood of banking system that is also the main source of financing economic activities of Bangladesh. Bangladesh Bank as the watchdog of banking system issued various guidelines for protection of public deposits. Deposit insurance scheme is also introduced in the interests of depositors.

Banks offer loan services among different sectors such as agro loan, industrial loan, trade loan, working capital loan and consumer finance etc. Bank advances stood BDT 6215565.9 million in end-June 2016 which contributes to promote economic activities and GDP of the country. In a fact, bank advance may be treated as engine of growth. However, the success of bank depends on the quality of advance. The quality of advance also works as a bulwark for financial stability.

Though Bangladeshi banks have attained immense success in credit delivery, there are two concerns. Firstly, banks have concentration of loan in trading sector (35.81% of loan portfolio) and lower investment in socially desirable sectors such as agriculture, poverty alleviation, education and health (only 5%-6% of loan portfolio) (Bangladesh Bank, 2016d). Secondly, existence of 10 percent non-performing loans (NPLs) remains as great concerns for all stakeholders. The NPL in banking sector of Bangladesh at end-June 2016 stood at 10.1 percent which is much higher than India (4.34%), Hong Kong (0.9%), China (1.74%), Malaysia (1.65%), Thailand (2.88%) and Philippines (1.95%) (World Bank, 2016). Non-performing loans reduce income of banks, increases loan loss provisions, brings down profit, erodes capital and creates credit crunch. This implies that higher level of non-performing loans do not only affects efficiency performance of banks adversely, they pose serious threat to the financial stability (Adhikary, B. K. 2006).

5.2 Sustainable Banking

With a view to integrating sustainability into overall credit management of banks and FIs, Bangladesh Bank issued Guidelines on Environmental Risk Management (ERM) in 2011 which has been the pioneering initiative from any central bank or financial sector regulator. The objective was to establish a minimum standard to incorporate the active evaluation of environmental and social issues in assessing PD of credit/investments of banks and FIs to promote sustainable business practices in Bangladesh. As sustainability has been increasingly being recognized as central tenant to the growth of emerging market economies including Bangladesh, Bangladesh Bank issued new guidelines on 'Environment and Social Risk Management (ESRM)' for banks and financial institutions in 2017 and developed new standards and codes of conduct to promote corporate accountability and transparency on the impacts of businesses on environment and society.

Bangladesh Bank (BB) has been integrating 'sustainability' into core banking practices through green banking, corporate social responsibility, financial inclusion and financial education. The society and environment oriented banking practices gradually created the concept of sustainable banking. Thus BB has been pursuing policy and instructions in all possible areas of sustainable banking for banks and non-bank financial institutions (NBFIs). Sustainable banking mainly focuses on three broad categories-green banking, corporate social responsibility and financial inclusion (Bangladesh Bank, 2016b).

5.2.1 Green Banking[1]

Following immense importance of green financing, Bangladesh Bank, the Central Bank of Bangladesh, has introduced green banking activities in 2009 and issued guidelines on green banking in 2011. This type of initiative in Bangladesh has been first in South Asia. Green banking activities include financing green projects, using climate fund, turning bank branches online, enhancing CSR activities, promoting mobile banking etc. Provision of loans with financial concession for environment friendly products and projects has been adopted to promote green banking in Bangladesh.

To expedite the ongoing initiatives of banks and NBFIs at faster pace for sustaining the environment compatible to climate change risk, minimum target of

---

1. This section is heavily drawn from Nabi, Md Golzare et al., (2016), Bangladesh Bank's Annual report, 2015-16 and Quarterly Review Report on Green Banking Activities of Banks & Financial Institutions and Green Refinance Activities of Bangladesh Bank, October-December, 2016.

direct green finance has been fixed as 5 % of total funded loan to be disbursed/invested in each year effective from January 2015 onwards. All Scheduled banks except Shimanto Bank Ltd. (Scheduled from July 21, 2016 through BRPD Circular Letter 10/2016) and 32 out of 33 FIs have formed their own Green Banking Policy.

Green Finance: Major Green projects financed by banks and other financial institutions include renewable energy, energy efficiency, solid waste management, liquid waste management, alternative energy, fire burnt brick, non fire block brick, recycling and recyclable product, green industry, safety and security of factory and others. A total amount of Taka 504.22 billion has been disbursed during FY16 by all banks and 30 NBFIs having exposure in green finance. Sector-wise contribution of the total green finance shows that the PCBs play the main role (80.4 percent) followed by FCBs (15.6 percent), NBFIs (3.4 percent), SCBs (0.6 percent) and SDBs (0.01 percent). Direct and indirect green finance by banks are given in Table 2.

Table 2: Direct and indirect green finance

Types of banks	2014-15				2015-16			
	Direct green finance	Indirect green finance	Total green finance	Sector wise contribution	Direct green finance	Indirect green finance	Total green finance	Sector-wise contribution
SCBs	30.7	0.9	4.0	0.854	2.01	1.23	3.25	0.6
SDBs	0.1	0.3	0.3	0.075	0.03	0.00	0.03	0.01
PCBs	20.1	346.1	366.2	78.61	24.60	379.89	404.49	80.4
FCBs	3.3	68.2	71.5	15.35	0.77	77.55	78.32	15.6
NBFIs	8.3	15.5	23.8	5.111	5.95	11.19	17.14	3.4
Total	34.8	431.0	465.9	100	33.36	469.86	503.22	100.0

Note : Figures are in billion Bangladeshi Taka.
Source: Bangladesh Bank, Annual Report, 2014-15 and Sustainable Finance Department

Environmental Risk Management (ERM): Environmental risk can be a facilitating element of credit risk because of its connectivity with environmental condition and climate change. Environmental Risk Rating (ERR) is obligatory above the threshold as mentioned in Guidelines on ERM for banks and NBFIs. ERR is applicable for the projects as well as the credit facility that fall above the threshold limit. According to guidelines, all banks and NBFIs have started environmental risk rating for projects. Total amount of Taka 1242.76 billion was disbursed in 52776 rated projects out of 60175 rated projects in FY16 (Table 3).

Table 3: Environmental risk rating of banks and NBFIs

Type of banks	2014-15 No. of projects rated	2014-15 No. of rated projects financed	2014-15 Amount disbursed in rated projects	2015-16 No. of projects rated	2015-16 No. of rated projects financed	2015-16 Amount disbursed in rated projects
SCBs	1804	1718	28.8968	1967	1916	48.40
DFIs	225	225	3.8243	38	50	2.35
PCBs	40575	33897	1281.5271	52182	46531	1944.82
FCBs	2855	1375	109.2305	2974	1717	134.84
NBFIs	2467	2398	76.5783	3014	2562	112.34
Total	47926	39613	1500.057	60175	52776	2242.76

Note: Amount disbursed figures are in billion Bangladeshi Taka.
Source: Bangladesh Bank, Annual Report, 2014-15 and Sustainable Finance Department.

Climate Risk Fund and Green Marketing: Total amount of utilization from climate risk fund by twenty two banks and for green marketing by 29 banks were Taka 455.7 million and Taka 53.5 million respectively in FY16. For the financial institutions total amount of utilization from climate risk fund was Taka 3.9 million and total expenditure for green marketing was Taka 2.7 million in FY16.

Online Banking and Energy Efficiency: 55 banks out of 56 banks have online branches in FY16 whereas the number of banks was same in FY15. Online branches are 75.1 percent of total branches in FY16 which were 68.1 percent in FY15. Green banking policy has pursued the banks to establish branches powered by solar energy. The number of branches powered by solar energy stood at 493 in FY16 and this was 416 in FY15.

BB's Refinance Schemes for Green Products/Sectors: To promote renewable energy and environment friendly financial activity of Bangladesh, BB has formulated a revolving refinance scheme from its own source amounting Taka 2.0 billion in 2009. To avail refinance facility till 30 June 2015, 37 banks and 15 NBFIs have signed participation agreement with BB. BB has increased the green product lines under the scheme to 50 in FY16. BB segregated these products into 11 categories which are: renewable energy, energy efficiency, solid waste management, liquid waste management, alternative energy, fire burnt brick, non fire block brick, recycling and recyclable product, green industry, ensuring safety and work environment of factories and miscellaneous. The disbursement trend of this fund is given in Table 4 and Chart 1.

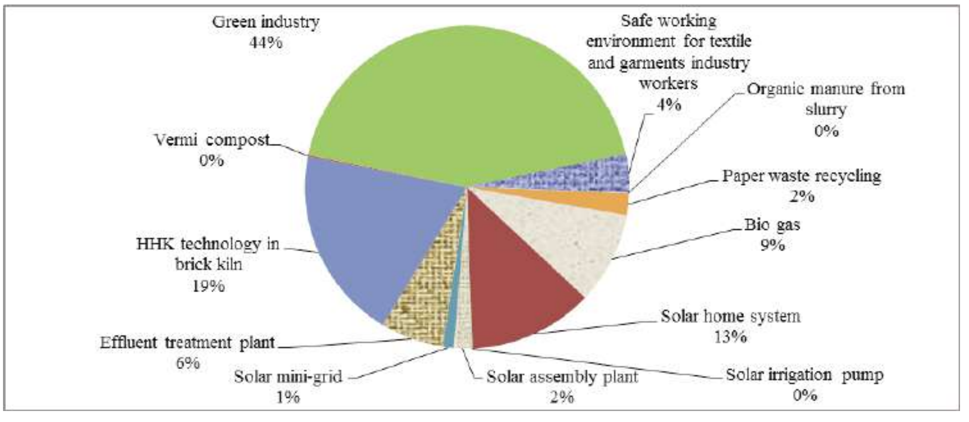
Green industry accounts for highest share among all green products (44%) followed by HHK technology (19%) and bio-gas (9%). The shares of financing among green products have been depicted in Figure 1.

Table 4: Utilization trend of BB refinance scheme for green products

Green products	FY12	FY13	FY14	FY15	FY16
Bio gas	133.2	113.6	212.8	83.3	84.8
Solar home system	10.5	40.2	32.2	87.5	114.7
Solar irrigation pump	8.4	0	17.9	26.5	0.6
Solar assembly plant	248.8	122.7	49.6	148.1	16.3
Solar mini-grid	0	0	0	0	10
Effluent treatment plant	22.2	57.4	10	0	58
HHK technology in brick kiln	55	172.2	59	47	177.8
Vermi compost	0	0	0	1.1	1.6
Green industry	0	0	0	0	400
Safe working environment for textile and garments industry workers	0	0	0	0	35.7
Organic manure from slurry	0	0	0	0	0.2
Paper waste recycling	0	0	0	0	20
Total	478.1	506.1	381.5	393.5	919.7

Note: Figures are in billion Bangladeshi Taka.
Source: Bangladesh Bank, Annual Report, 2014-15 and Sustainable Finance Department

Chart 1: Shares of green products in refinancing: FY16



Some policy initiatives for Sustainable financing: To improve the efficiency of the brick kiln through efficient use of technology and energy including reducing Green House Gas (GHG) and Suspended Particulate Matter (SPM) on lending facilities namely "Financing Brick Kiln Efficiency Improvement Project", has been established in BB financed by Asian Development Bank (ADB) in 2012. In this disbursement process, total amount of loan from ADB is about USD 50.0 million or equivalent Taka. It has two parts: Part-A: USD 30.0 million (approximately)/equivalent Taka will be provided for conversion of Fixed Chimney Kiln (FCK) to improved zigzag kiln and Part-B: about USD 20.0 million/equivalent Taka for establishment of new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln. On lending facilities are extended to the PFIs in this purpose. Till 30 June 2016, 35 banks and 19 NBFIs have signed participation agreement with BB. Up to June 2016, USD 16.21 million has been disbursed under this project.

In September 2014, BB has introduced a refinance scheme funded by liquidity of Shariah based banks and NBFIs in excess of their requirement which will be explicitly utilised for direct green finance of the said banks and NBFIs. These banks and NBFIs can utilise this fund for financing in the 50 products identified under BB refinance scheme.

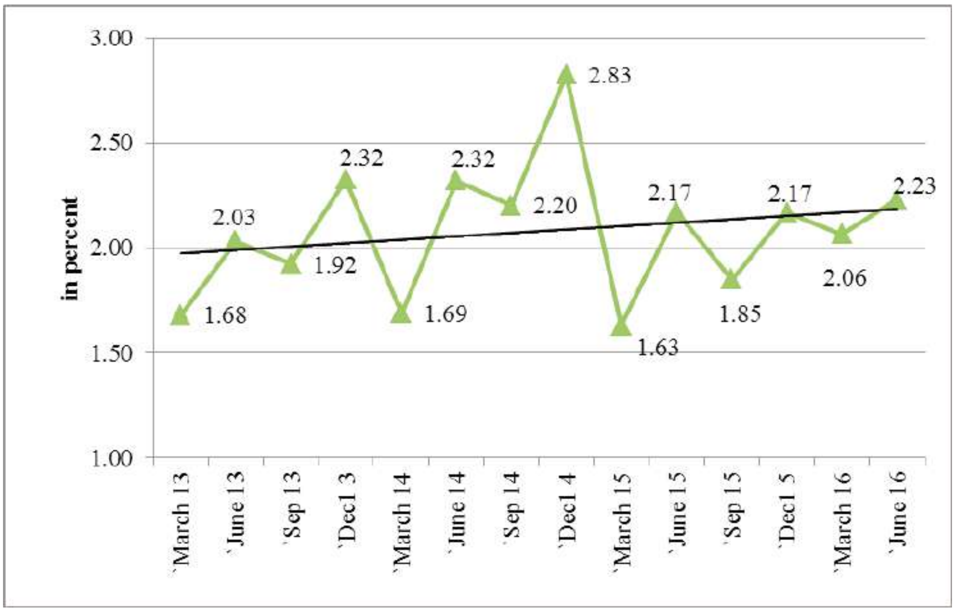
Bangladesh Bank (BB) intends to provide long term financing for private sector firms, mainly midsize manufacturing firms under the Financial Sector Support Project (FSSP) financed by the International Development Association (IDA). An Environmental and Social Management Framework (ESMF) has been developed to ensure the sustainability of financing of this facility (FE Circular No. 18/2015).

The latest step of Bangladesh bank in fostering sustainable finance is to create Green Transformation Fund. In February 2016, BB has announced its intention to create a new longer term refinancing window naming Green Transformation Fund (GTF) of 200 million USD. The fund will be used to ensure sustainable growth in export oriented textile and leather sectors conducive to transformation of green economy in the country (FE Circular No. 02/2016). To further fortify the financing arrangement under GTF, it has been decided to provision for a Participation Agreement to be signed between Bangladesh Bank and intended AD branches. Under this scheme, 6 banks have signed participation agreement with BB till December 31, 2016.

Trend of Green Financing as Share of Total Bank Advances: The share of green financing to total bank advances was 1.68 percent in first quarter of 2013. Then it started increasing gradually and reached at 2.83 percent in q4 of 2014. Later it showed mixed trend. It stood at 2.23 at the end of q2 of 2016. Green financing as a share of total bank advances and its trend are depicted in figure 2.

Corporate Social Responsibility: On 22 December 2014, BB issued an indicative guideline for allocation and end use monitoring of CSR engagements

Figure 2: Quarterly green finance and total bank advances ratio and its trend



of the financial sector. The guideline clearly states the administrative setup, budgetary allocation, expected range/coverage of CSR activities and end use monitoring process of CSR expenditures and activities. BB has also established 'Bangladesh Bank Disaster Management and Corporate Social Responsibility Fund' by transferring Taka 50 million from its annual profit each year to conduct its own CSR activities in different areas such as education, health, environment, empowerment, human resources development, etc. Later the fund was extended to Taka 100 million in 2015.

BB has sanctioned Taka 75.9 million (contribution from BB profit and bank interest) in FY16 from the fund which was Taka 51.3 million in FY15. Total amount of CSR expenditure by banks and NBFIs in FY16 was Taka 5607.7 million while the amount was Taka 5400.7 million in FY15. Banks continued to maintain major share in education, health and humanitarian & disaster relief. Education, health, humanitarian & disaster relief contributed to 29.0, 13.6 and 32.5 percent respectively of the total CSR activities. However, they spent 16.3, 18.5 and 12.1 percent of their total CSR expenditure in education, health, humanitarian & disaster relief sectors respectively during this period.

Enhancing financial inclusion: Financial inclusion has emerged as a powerful tool for promoting inclusive economic growth, eradicating poverty and reducing inequality in the emerging and developing country. A growing body of research unveils that financial inclusion has significant benefits for both firms and individuals (Ayyagari, M., & Beck, T. (2015). As part of financial inclusion initiatives BB has extended formal banking services to less privileged people in urban and rural areas. BB has identified the target group of people and advised the banks for opening No-Frill Accounts (NFAs) for them.

Up to FY16 BB has gradually issued instructions to these banks for opening nine categories of NFAs other than farmer's account. BB has also provided instruction to all banks to open NFAs for readymade garment workers and workers of small footwear & leather product industries. From FY15, all banks were instructed to open NFAs for physically challenged persons. Total number of all categories of No-Frill Accounts (NFAs) by the SCBs, DFIs, and PCBs stood at 16133447 in 2016. Total balance of all categories of account reached at Taka 10520.34 million in 2016.

In order to broaden and deepen the financial inclusion through including the students under age of 18, BB has advised to the scheduled banks to introduce school banking activities in 2010. Total outstanding balance of school banking stood at Taka 8804.1 million against 1182179 accounts at the end of June 2016.

After introducing various types of banking services for farmers and some other underprivileged people, BB advised all scheduled banks to bring street children under institutional financial support on 9 March 2014 to open custodial account with NGO by Taka 10 as minimum opening balance and no service charge/fee for working/street children. These initiatives would help street children to develop their savings habits and eventually help them step towards better future. Till June 2016, 16 banks signed bi-lateral agreement with different registered NGOs for offering the services. Total outstanding balance of school banking stood at Taka 2201.2 million against 3465 accounts at the end of June 2016.

Bangladesh Bank issued agent banking guidelines in December 2013 for the banks with a view to safety, security and soundness of the proposed alternative delivery channel for banking services for non-privileged, underserved population and the poor segment of the society, especially from geographically remote location. Till June 2016, 12 banks have got approval from BB for agent banking services and 10 banks have started operation. Till June 2016, number of agents stood at 789 and number of outlets was 1281. Currently there are more than 258471 account holders maintaining accounts with agent banking.

With a view to bring the financially deprived grass root population under formal financial services and to gear up the banking activities of Taka 10 accounts, BB constructed a revolving refinance fund in May 2014. The size of fund is Taka 2.0 billion. Highest limit of refinance facility is Taka 50000.0 under this scheme and participating banks will be provided interest subsidy under certain conditions. To avail refinance facility till 30 June 2016, 32 banks have signed participation agreement with Bangladesh Bank and disbursed amount stood at Taka 297.46 million in FY16.

5.2.2 Promoting Microfinance

Out of 56 commercial banks, 14 banks are engaged in micro credit operations. Currently, 8 state-owned commercial and specialized banks and 6 private commercial banks offer microfinance programs either directly or through linkage programs with NGOs/MFIs. The number of clients, annual disbursement of loan and outstanding of loan stood 1.1 million, BDT 33.66 billion and BDT 13.65 billion respectively.

5.2.3 Encouraging women entrepreneurship

Bangladesh Bank is encouraging all banks and NBFIs to provide loan to women entrepreneurs at 10.0 percent interest rate. A dedicated women entrepreneur's desk has been established at concerned Department of BB (SME&SPD). All banks and NBFIs have been directed to do the same. They have also been instructed to reserve 15.0 percent of total SME funds exclusively for women entrepreneurs as well as to provide credit to new women entrepreneurs under cottage, micro and small sectors. In addition, all banks and NBFIs have been directed to sanction loans of at least Taka 2.5 million to women entrepreneurs with personal guarantee but without collateral under refinance facilities provided by BB. An amount of Taka 16.4 billion was refinanced to women entrepreneurs at the end of June 2016 against 16028 enterprises.

5.2.4 Promoting Mobile Financial Services (MFS)

The rapid growth of mobile phone users and countrywide coverage of mobile operators' network have made their delivery channel an important tool for trade for extending banking services to the unbanked/banked population, specially to expedite faster delivery of remittances across the country. As on 30 June 2016, total 25 banks were given permission for mobile financial services, whereas 18 banks/subsidiaries were in operation. Total number of registered customers was 36.2 million and they had 0.6 million agents for smooth services to their customers. From legal and regulatory perspective, only bank led model is allowed to operate in Bangladesh.

Under the umbrella of mobile financial services, inward remittances, cash-in, cash-out, P2P transactions, B2P transactions, P2B transactions etc. have been provided. Day by day both the volume and monetary value of the transactions are increasing and it is real opportunity for underprivileged people to avail formal financial services. Monthly number of transactions stood 124.5 million while amount of transactions stood at BDT 231.5 billion (June, 2016).

5.3 Islamic Banking and Ethics

Islamic banking has attained as alternative sub-sector in the modern financial landscape of the world. After its humble beginning in 1960s, the world witnessed a record growth of Islamic finance in Muslim majority countries as well as in non-Muslim countries during the last four decade. Sustained growth of Islamic finance overtime across the world in terms of number of financial institutions, deposits, investment and innovations is a vivid testimony of solid performance of Islamic financial services industry (IFSI). Total assets of Islamic financial services industry (IFSI) grew to an estimated USD1.88 trillion by the end of 2015 in which Islamic banking remains the dominant sector with approximately 79% of the total Islamic financial assets (Islamic Financial Services Board, 2016). The Islamic financial industry has been able to prove itself as a sound and less risky alternative viable sub-sector of modern finance industry of the globe. In tandem with global rapid expansion of Islamic finance, Bangladesh, a developing Muslim majority country of South Asia has also experienced phenomenal growth in Islamic banking in the backdrop of strong public demand and support for the system.

Islamic commercial banks play the same roles of financial intermediaries by channeling surplus funds from savers to entrepreneurs and performing the other jobs as done by conventional banks. From viewpoints of theories of financial intermediaries based on lowering transaction cost, managing risk and solving asymmetric information problems, there seem no differences between the two types of banking. However, there are fundamental differences in theoretical foundation and mode of operations between the two types of banking.

In addition to major principles followed by conventional banks, Islamic banks have to obey the principles of Islamic Shariah strictly (Rosly, SA, 2005 and Laldin, MA, 2005) which includes prohibition of Riba (usually interpreted as usury or interest), avoidance of Gharar (excessive risk), Maisir (Gambling) and other Haram (illegal) activities (such as alcohol, pork and all other illegal activities) in transactions, following of profit and loss sharing principle (PLS) that emphasizes on risk-sharing, making financial transactions against real tangible assets, ensuring justice in dealings, paying zakat (mandatory religious tax) and developing community.

Obviously, the basic features of ethical banking are embedded in the principles of Islamic banking. Islamic banking promotes human, inclusive, resilient and caring banking. Now, out of 56 commercial banks, 8 private commercial banks (PCBs) have been functioning as full-fledged Islamic Banks in Bangladesh (Table-5). In addition, 19 Islamic banking branches of 8 conventional banks and 25 windows of 7 conventional banks are also offering Islamic banking services. Islamic banking industry in Bangladesh now accounts for 20.5 percent deposits and 23.3 advances of the total banking system at the end of June 2016 implying that it have accounted for more than 20 percent market share of banking industry in Bangladesh.

Islamic banks as Shairah based banks have to operate business for fulfillment of twin objectives: achieving profit (for viability and sustainability) and ensuring welfare of the community as a whole. Although Islamic banks have achieved one of the twin objectives-attaining adequate profits for sustainability; they could not show success in attaining social objectives, the other one of the twin objectives. An analysis of sector-wise investments made by Bangladeshi Islamic banks reveals that investments in socially desirable sectors such as agriculture and poverty reduction are below 2 percent (Bangladesh Bank, 2016c). Similarly, an analysis of mode-wise investment shows that investments in ideal Islamic modes i.e. Profit Loss Sharing (PLS) based modes such as mudaraba and musharaka are estimated below 2 percent (Bangladesh Bank, 2016c).

Table 5: Structure of Islamic Banking System in Bangladesh (2016)

Types of Islamic banks	Number of Bank	Branches / Windows	Deposits (BDT in Billion)	Advances (BDT in Billion)
Full-fledged Islamic Banks	8	998	1672.60	1493.63
Conventional banks having Islamic banking branches	8	21	52.93	45.00
Conventional banks having Islamic banking windows	7	25	29.82	27.56
Total	23	1044	1755.35	1566.19

Source: Bangladesh Bank (2016c)

6. Challenges of Ethical Banking, Policy Options and Conclusion

Challenges: The major challenges in promoting ethical banking in Bangladesh includes lowering NPL, removing fraud and forgery, enhancing investments in social sectors like agriculture, small enterprises, health, education, expanding sustainable banking activities and attainment of cost efficiency in service delivery.

Policy options: Based on recommendations of Islam, Dr. A. B. Mirza Md. Azizul (2011) and others, following policy options may be derived for promoting ethical banking in Bangladesh.

First, banks must comply with all laws, rules and regulations to ensure soundness of operations and to enhance confidence of the society.

Second, banks must ensure fair and equitable treatment of all stakeholders-shareholders, depositors, borrowers and employees.

Third, the banks must ensure full, truthful and transparent disclosure of their financial health. Many of the toxic assets were sometimes treated as off-balance sheet items. The concerned stakeholders were thus deprived of the right to get a transparent picture of the true financial health and the risks that were being assumed.

Fourth, banks must increase investment in green projects for protection of environment and in social sectors like agriculture, small enterprises, health and education for promoting financial inclusion.

Fifth, banks must behave as socially responsible corporate citizens. Social responsibility must be viewed from a wider perspective, taking into account the impact of banks' activities on growth, employment and emphatically in our case, poverty alleviation as well.

Sixth, bank staffs need to be trained properly with fair pay and other incentives.

Seventh, Islamic banks need to undertake measures for promoting welfare-oriented banking further.

Conclusion

Following global concerns stemming from acute financial crisis, environmental problems, financial exclusion and lack of socially responsible investment, ethical banking has emerged as new paradigm in financial world. In mitigating environmental problems in financing and financial exclusion, Bangladesh has undertaken different steps for promoting ethical banking. Now banking sector has undertaken initiatives relating to promoting sustainable finance, small business, women entrepreneurship, and corporate social responsibility.

However, allocations must increase in projects relating to ethical banking. In addition, steps need to lower interest/profit rate spread, reduce amount of non-performing loan and increase of loan in production sectors towards employment generation. Above all, banks must comply with all laws, rules and regulations, ensure fair and equitable treatment of all stakeholders, disclose full information on financial health and undertake ethically motivated human resource development policy. Islamic banks need to promote projects based on partnership modes (Mudaraba and musharaka) and financing microenterprise for promoting inclusive banking towards employment generation and poverty alleviation. This would also help to achieve welfare objectives of Islamic banking.

References

Alamgir, M. (2015). Ethics in Banking: A Human Folly or Systemic Failure?. Ethics in Banking. Fifteenth Nurul Matin Memorial Lecture. BIBM, Dhaka.

Adhikary, B. K. (2006). Non-performing loans in the banking sector of Bangladesh: realities and challenges. Bangladesh Institute of Bank Management, 75-95.

Allen, F. and A.M. Santomero (1997). The theory of financial intermediation. Journal of Banking and Finance (1998), 21, pp. 1461–485.

Bangladesh Bank (1973a). Annual Report, Bangladesh Bank, Dhaka.

Bangladesh Bank (2016b). Annual Report 2015-16, Bangladesh Bank, Dhaka.

Bangladesh Bank (2016c). Developments of Islamic Banking in Bangladesh, April-June, 2016, Bangladesh Bank.

Bangladesh Bank (2016d). Scheduled Banks Statistics, April-June, 2016, Bangladesh Bank

Bangladesh Bank, (2015e). Financial Stability Report, 2015, Issue 6, June 2016, Bangladesh Bank

Bhattacharya, S., & Thakor, A. V. (1993). Contemporary banking theory. Journal of financial Intermediation, 3(1), 2-50.

Beck, T. and A. Demirguc-Kunt 2004, Finance, Inequality and Poverty: Cross-Country Evidence, Policy Research Working Paper 3338, World Bank, Washington D.C.

Beck, T., R. Livine and N. Loayza 2000, 'Finance and the Sources of Growth', Journal of Financial Economics. 58:261-300.

Beck, T., A. Demirguc-Kunt and M.S. Martinez Peria 2008, 'Banking Services for Everyone? Barriers to Bank Access and Use around the World'. World Bank Economic Review 22(3): 397-430.

Cowton, C. J. (2002). Integrity, responsibility and affinity: three aspects of ethics in banking. Business Ethics: A European Review, 11(4), 393-400.

Diamond, D.W. (1996). Financial intermediation as delegated monitoring: a simple example. Federal Reserve Bank of Richmond Economic Quarterly (1996) 82/3, pp. 51–66.

Ferrell, O. C., Hirt, G., & Ferrell, L. (2012). Business in a Changing World. NY: McGraw-Hill.

Graafland, J. J. (2006). Economics, ethics and the market: Introduction and applications. Routledge.

Gomez-Mejia, L. R., & Balkin, D. B. (2012). Management people/performance/change. Pearson Education, Inc., publishing as Prentice Hall, One Lake Street, Upper Saddle River, New Jersey 07458.

Islam, Dr. A. B. Mirza Md. Azizul (2011). Ethics in Banking. Eleventh Nurul Matin Memorial Lecture. BIBM, Dhaka.

Islamic Financial Services Board (2016). Islamic Financial Services Industry Stability Report, IFSB Bank Negara Malaysia: Kuala Lumpur.

King, R., Levine, R., (1993a). Finance and growth: Schumpeter might be right. Quarterly Journal of Economics 108, 717-738.

King, R., Levine, R., (1993b). Finance, entrepreneurship, and growth: theory and evidence. Journal of Monetary Economics 32, 513-542.

Mahmud, W. (2005). Ethics in Banking. Fifth Nurul Matin Memorial Lecture, Bangladesh Institute of Bank Management Dhaka.

Matthews, K. and J. Thompson (2008). The Economics of Banking. John Wiley & Sons Ltd. The Atrium, Southern Gate, Chichester, West Sussex PO19 8SQ, England.

Mishkin, F. S. (2015). The economics of money, banking, and financial markets, 11th Edition, The Pearson Series in Economics, Prentice Hall.

Nabi, Md Golzare et al., (2016). Are We Greening the Economy?. Recent Trends of Green Financing in Bangladesh, Working Paper Series: WP No 1618 Research Department, Bangladesh Bank.

Oluwafisoye, O., & Akande, O. (2013). Business Ethics and Corporate Social Responsibility" THE PERCEPTION OF EMPLOYEES ON BUSINESS ETHICS IN AN ORGANIZATION.

Rahman, M. H. (1999). Ethics in Banking. Second Nurul Matin Memorial Lecture, organized by BIBM, on July, 11, 1999.

Reinhart, C. M., & Rogoff, K. S. (2013). Banking crises: an equal opportunity menace. Journal of Banking & Finance, 37(11), 4557-4573.

Rose, P., & Hudgins, S. (2013). Bank management and financial services. The McGraw–Hill.

Vipin K Sharma (2011). Ethics and Social Responsibility. Conference Paper, Associate Professor, Aravali College of Engineering & Management, Faridabad, India.

Velasquez, Manuel G. (2011). Business Ethics: Concepts and Cases / Edition 7, Pearson.