

# Quarterly Review Report

on

## Green Banking Activities of Banks & Financial Institutions

and

## Green Refinance Activities of Bangladesh Bank



October-December, 2019



**Sustainable Finance Department**  
**Bangladesh Bank**  
**Head Office**

## Executive Summary

The world at large is experiencing the devastating effects of the global climate crisis including droughts, floods, tsunami, water scarcity, and rising sea level. These consequences of climate change threaten the sustainable living on this planet which calls for an urgent and collective response from both developed and developing nations especially countries like Bangladesh. On that standpoint, we need to take necessary steps for our sustainability in the long run. Forming green frameworks are very much within the broader scope of sustainable development agenda of a country like Bangladesh.

Banks and Financial Institutions (FIs) hold a unique position in an economic system that can affect production, business and other economic activities through their financing activities, and thus also influence environmental risk management in real economy, and sustainable growth. These institutions can accelerate the movement of a clean world to a large extent. For instance, these institutions can implement a 'go-green' policy for themselves and encourage client firms to adopt clean technology. In the long-term, this strategy is expected to be favorable for firms, to reduce the cost and induce the access to the new market. To advance their interest, all the financial institutions should follow the carbon footprint of their clients or projects to ensure overall sustainability.

In recent days, an increasing number of banks/NBFIs are going green by providing innovative products that cover financial services to support the activities that are not hazardous to environment, but conserve environment. Such activities are popularly known as 'Green Banking Activities'. This report entails the information on all the policy initiatives and operational approaches on green finance taken by Bangladesh Bank (BB), and also the Green banking activities of Banks & Financial Institutions during October 01 to December 31, 2019. It covers green finance/investment by 59 scheduled banks and 33<sup>1</sup> FIs under refinance scheme in one way and also green finance/investment from their own sources on the other.

	Dec, 2018	March, 2019	June, 2019	Sep, 2019	Dec, 2019
<b>Green Finance by Banks (In million Tk)</b>	21,090.38	28,754.37	23,676.38	19,104.82	33,421.96
<b>Green Finance by FIs (In million Tk)</b>	2,630.23	1,739.23	1,542.40	1,095.13	1,703.50

<sup>1</sup> After initiation of legal process of the liquidation of Peoples Leasing & Financial Services Limited, number of total Financial Institutions stands at 33.

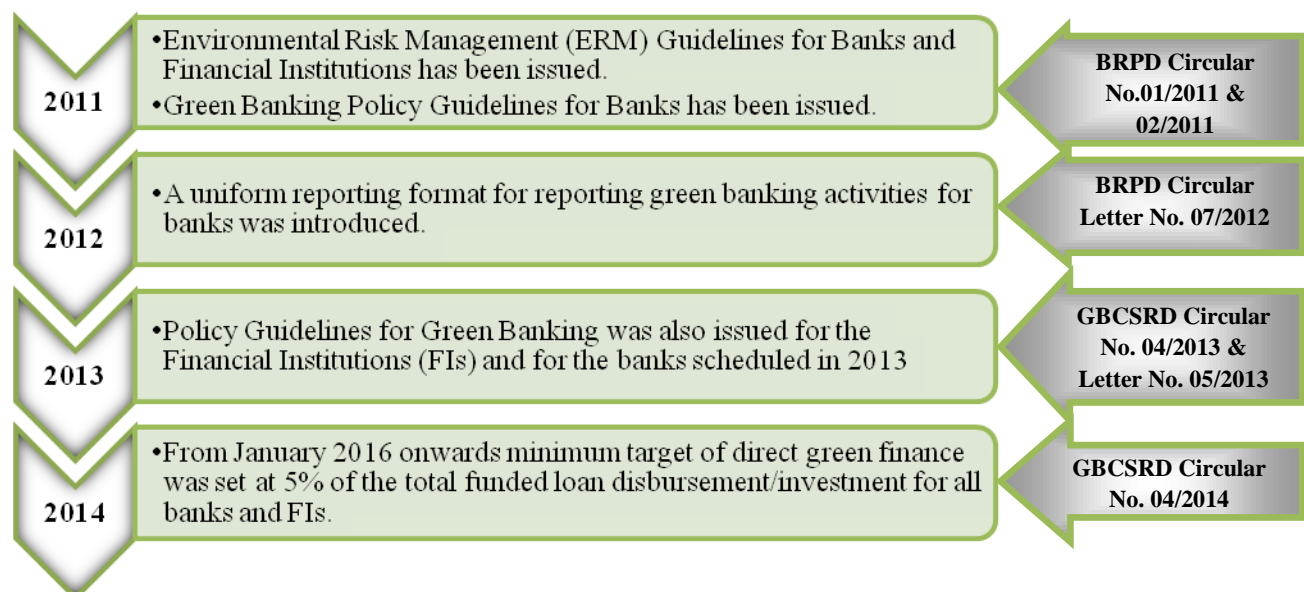
## 1. Introduction

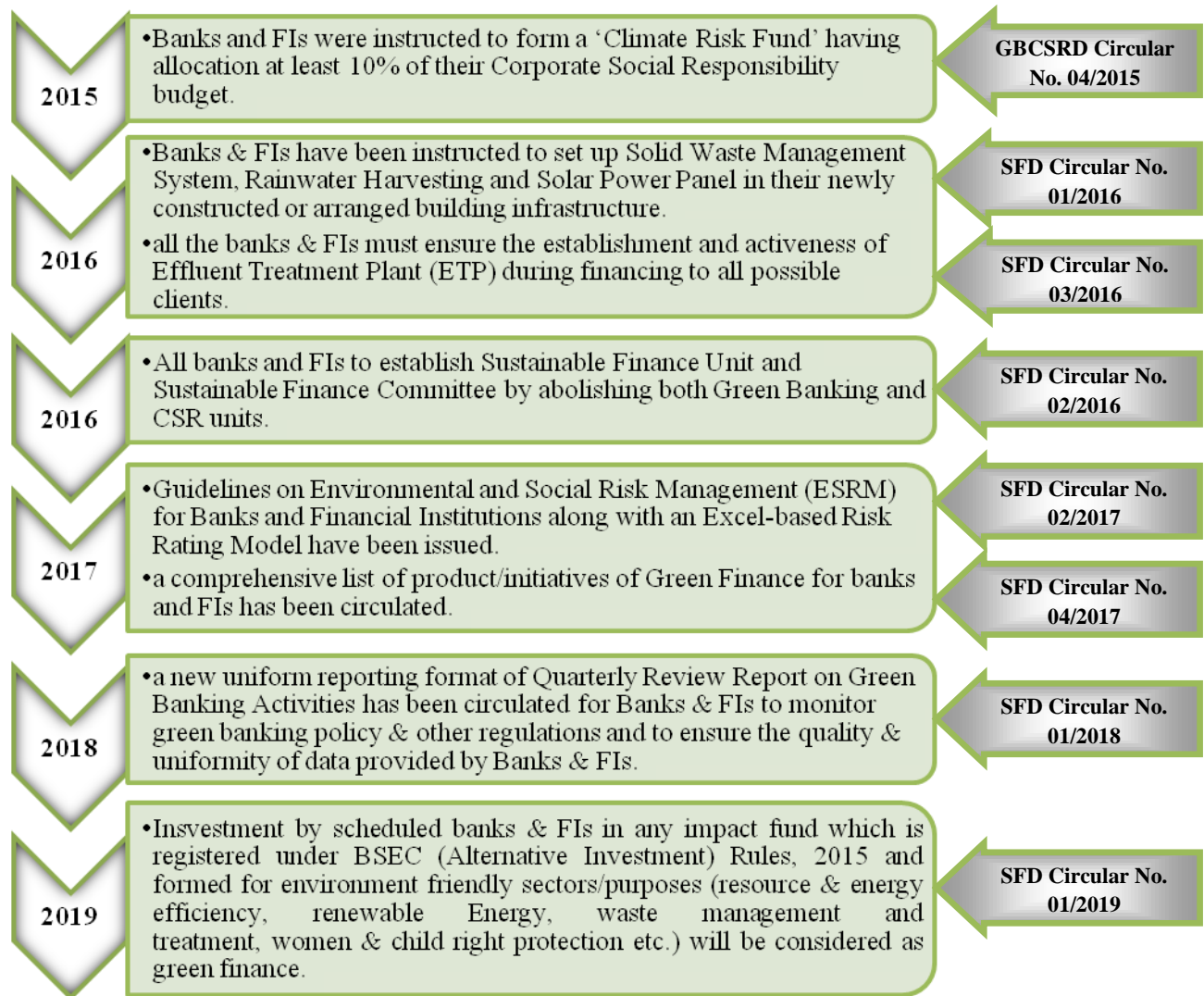
Green banking is a genre of banking practices which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources. It is also called as ethical banking or sustainable banking. The banking sector is one of the major sources of financing industrial projects such as steel, paper, cement, chemicals, fertilizers, power, textiles, etc., which cause maximum carbon emission. Therefore, the banking sector can play an intermediary role between economic & social development and environmental protection, for promoting environmentally sustainable and socially responsible investment. Green banking refers to the banking business conducted in such areas and in such a manner that help the overall reduction of external carbon emission and internal carbon footprint.

‘Go-green’ approach in banking sector has basically two forms. Firstly, through adoption of environmental and social responsibility in bank’s day to day operations like wise use of paper, energy conservation etc. and secondly, by including sustainability into banks’ products and strategies like green lending, etc. Bangladesh Bank (BB) has set examples for others by pioneering green banking initiatives by guiding proactively the banks and NBFIs since 2011. In such aspect, green banking initiatives of BB broadly categorized into: policy initiatives, monitoring of green banking activities of banks and NBFIs, refinance support from BB in diverse green products/ sectors, and BB's own initiatives for environmental management.

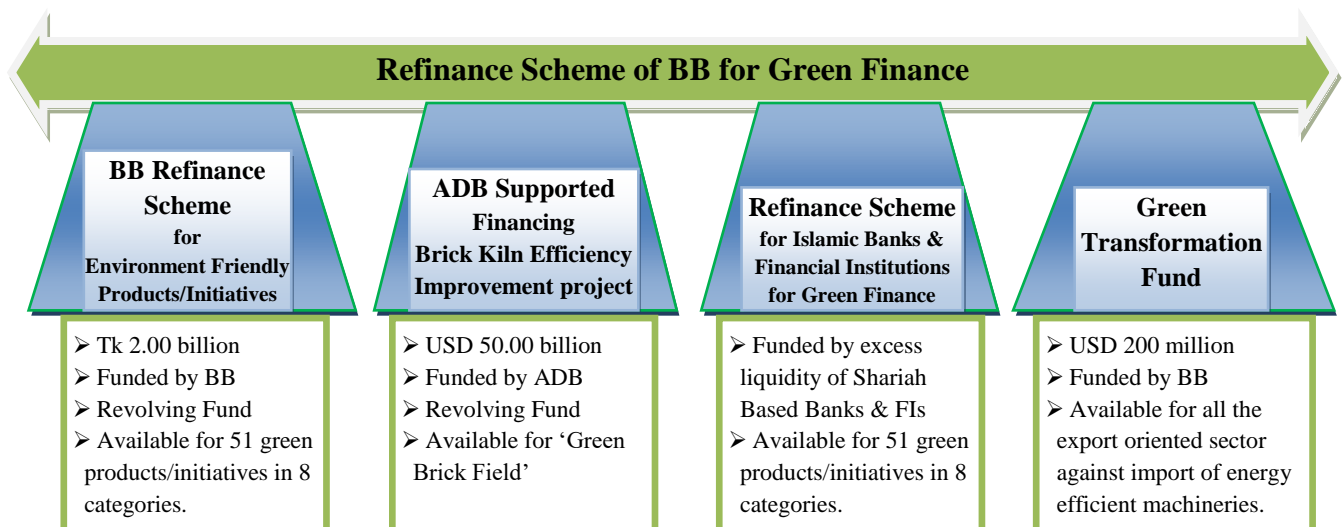
## 2. Policy Chronology and Support Funding Initiatives of BB

### 2.1 Policy Chronology:





## 2.2 Support Funding Initiatives of BB:



### 3. At a Glance Green Banking of October-December, 2019

#### 3.1 Green Finance:

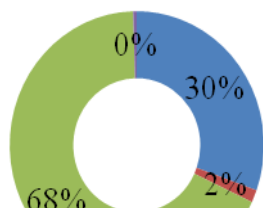
Issue	Banks	FIs
Green Finance (in million Taka)	33,421.96	1,703.50
Green finance as % of total funded loan disbursement	1.43%	2.86%

Green finance in number of Products of different sectors	Renewable Energy (18)	Energy Efficiency (7)	Alternative Energy (1)	Waste Management (11)	Recycling & Recyclable Product (7)	Green Brick Manufacturing (3)	Green Establishment (2)	Misc. (3)	Total (52)
<b>Banks</b>	7	4	1	7	6	2	2	2	<b>31</b>
<b>FIs</b>	7	4	1	2	2	1	1	1	<b>19</b>

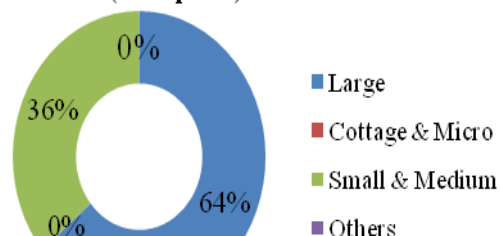
#### 3.2 Number of Borrowers in Green Finance:

Number of Borrowers in Green Finance (Enterprises)	Large	Cottage & Micro	Small & Medium	Others	Total
<b>Banks</b>	202	10	448	3	<b>663</b>
<b>FIs</b>	23	-	13	-	<b>36</b>

Number of Borrowers in Green Finance (Enterprises) for Banks

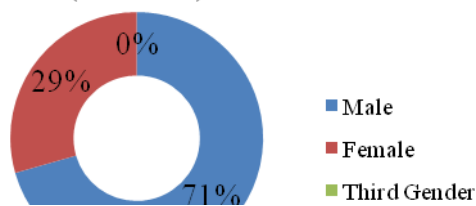


Number of Borrowers in Green Finance (Enterprises) for FIs



Number of Borrowers in Green Finance (Individuals)	Male	Female	Third Gender	Total
<b>Banks</b>	120	50	-	<b>170</b>
<b>FIs</b>	-	-	-	<b>0</b>

Number of Borrowers in Green Finance (Individuals) for Banks



**3.3 Non-performing Loan:**

<b>Comparison of Non-performing Loan (Till December 31, 2019)</b>		
<b>Issue</b>	<b>Banks</b>	<b>FIs</b>
Total Outstanding Loans/ Investment (In million TK)	10,802,393.10	667,712.92
Total Classified Loans/ Investment (In million TK)	954,337.98	65,360.21
Outstanding Loans/Investment under ESDD (In million TK)	2,251,068.46	145,097.81
Classified Loans/Investment under ESDD (In million TK)	70,139.01	12,249.83
Outstanding Loan/Investment under Green Finance (In million TK)	259,578.31	30,918.00
Classified Loan/Investment under Green Finance (In million TK)	6,325.61	2,869.46

**3.4 Utilization of Climate Risk Fund by Banks & FIs:****3.5 Environmental & Social Risk Management:**

<b>Issue</b>	<b>Banks</b>	<b>FIs</b>
Number of environmental risk rated projects	13,837	948
Number of environmental risk rated projects financed	13,926	819
Amount disbursed against rated projects (in million Taka)	618,270.35	39,524.45

**3.6 Environmental Conservation in Business Centres:**

<b>Issue</b>	<b>Banks</b>	<b>FIs</b>
Number of solar powered branches	598	3
Number of Branches with Rainwater Harvesting	7	-
Number of Branches with Solid Waste Management System	244	8
Number of solar powered ATM Booths	76	-
Online branches (as % of total branches)	90.00%	N/A

**3.7 Top 5 Banks & 5 FIs in Green Finance:**

<b>Name of the Institutions</b>	<b>Green finance as % of total funded loan disbursement</b>
<b>NRB Bank Limited</b>	11.39%
<b>The HSBC Limited</b>	7.42%
<b>BRAC Bank Limited</b>	5.08%
<b>Mutual Trust Bank Limited</b>	4.28%
<b>IFIC bank Limited</b>	3.84%
<b>Bangladesh Infrastructural Finance Fund Ltd.</b>	76.98%
<b>Prime Finance &amp; Investment Ltd.</b>	50.00%
<b>Islamic Finance &amp; Investment Ltd.</b>	14.77%
<b>Infrastructure Development Co. Ltd.</b>	5.72%
<b>Reliance Finance &amp; Investment Ltd.</b>	4.39%

## 4. Review on Support Funding Schemes of BB for Green Finance

### 4.1 BB Refinance Scheme for Environment Friendly Products/Initiatives:

To broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc., BB established a revolving refinance scheme amounting to Taka 2 billion (200 crore) from its own fund for solar energy, Bio-gas and Effluent Treatment Plant (ETP) in 2009. The product line has been enhanced to 51 under 08 categories. Since inception, total amount of Tk. 4,488.99 million has been disbursed as refinance facility from the fund till December 31, 2019. The disbursement scenario of this scheme during October-December, 2019 quarter is furnished below:

<b>Table-4.1: Sub-category/ Product wise Disbursement</b>		
<b>SL. No</b>	<b>Sub-category/ Product</b>	<b>Taka in million</b>
1	Biogas	0.24
2	Effluent Treatment Plant (ETP)	132.50
3	Vermi compost	0.16
4	Green Industry	198.70
5	Ensuring Work Environment and Security of Workers Factories	8.10
6	Solar Home System	0.17
<b>Total Disbursement</b>		<b>339.87</b>

### 4.2 ADB Supported Financing Brick Kiln Efficiency Improvement project:

“Financing Brick Kiln Efficiency Improvement Project” funded by Asian Development Bank (ADB) was established in 2012 for reducing greenhouse gas emissions and fine particulate pollution from brick fields of the country and building environment friendly brick field through efficiency development of brick kiln with appropriate use of energy. In this scheme, total amount of loan from ADB is 50.00 million USD/converted to equivalent BDT for local use. It has two parts: Part-A: 30.00 million USD for conversion of Fixed Chimney Kiln (FCK) to Improved Zigzag Kiln and Part-B: 20.00 million USD for establishment of new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln. Relending facilities are extended to the Participatory Banks and Financial Institutions (PFIs) in this purpose. Under this relending facility, Total \$50.01 million equivalent BDT 403.97 crore relending facility has been disbursed to 19 subprojects through 19 Participating Financial Institutions (PFIs) till December, 2019. \$17.84 million equivalent BDT 147.21 crore has been disbursement to 05 subprojects through 09 PFIs during October-December quarter of FY2019-20. The tenure of the project ended in December 31, 2019 but relending facility will be continued after redesigning the project with approval from executing agency, Financial Institutions Division, Ministry of Finance.

### 4.3 Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives:

Bangladesh Bank has introduced refinance scheme funded by excess liquidity of shariah based financial institutions to facilitate the shariah based banks and non-bank financial institutions (NBFIs) in 2014<sup>2</sup>. In 2018 Bangladesh Bank has issued an integrated and comprehensive “master circular”<sup>3</sup> by revising and incorporating all the existing circular and circular letters related to this refinance scheme. BB has enhanced the product range under this scheme to 51 and segregated these products into 8 categories. During October-December, 2019 quarter Bangladesh Bank has disbursed BDT 15.21 million for “Working Environment and Fire Safety of Factory” and collected BDT 0.32 million profit against this product.

### 4.4 Green Transformation Fund (GTF):

In January 2016, a longer-term refinancing window named Green Transformation Fund (GTF) of 200 million USD was launched to ensure sustainable growth in export oriented textile and leather sectors conducive to transformation of green economy in the country<sup>4</sup>. To further fortify the financing arrangement under GTF, it was decided to provision for a Participation Agreement to be signed between Bangladesh Bank and intended banks. To widen the scope of this fund, it has been opened for all manufacturer-exporters irrespective of sectors against import of capital machinery and accessories for implementing specified green/environment–friendly initiatives since September, 2019<sup>5</sup>. Under this scheme, 19 banks have signed participation agreement with BB. The disbursement from this Fund is 45.83 million USD in till December, 2019. In October-December, 2019 quarter disbursement from this fund is 19.73 million USD only in textile sector.

<b>At a glance Funding Schemes of BB for Green Finance in October-December, 2019</b>		
<b>Funding scheme of BB</b>	<b>Amount</b>	<b>Number of Project</b>
<b>Disbursement from BB Refinance Scheme for Environment Friendly Products/Initiatives (in million Taka)</b>	<b>339.87</b>	<b>6</b>
<b>Disbursement from ADB Supported Financing Brick Kiln Efficiency Improvement project (in million Taka)</b>	<b>1472.1</b>	<b>5</b>
<b>Disbursement from Refinance Scheme for Islamic Banks &amp; Financial Institutions for Investment in Green Products/Initiatives (In million Taka)</b>	<b>15.21</b>	<b>1</b>
<b>Disbursement from Green Transformation Fund (GTF) (In million Dollar)</b>	<b>19.73</b>	<b>4</b>

<sup>2</sup> GBCSRD circular no. 06 /2014

<sup>3</sup> SFD Circular No.02/2018

<sup>4</sup> FE Circular No. 02/2016

<sup>5</sup> FE Circular Letter No. 14/2019)



## 5. Review on Green Banking Activities of Banks and Financial Institutions (FIs)

### 5.1 Policy Formulation and Governance:

All scheduled banks have formed their own Sustainable Finance Unit and (except Community Bank Bangladesh Limited) Green Banking Policy. All the FIs have also formed their own Green Banking Policy.

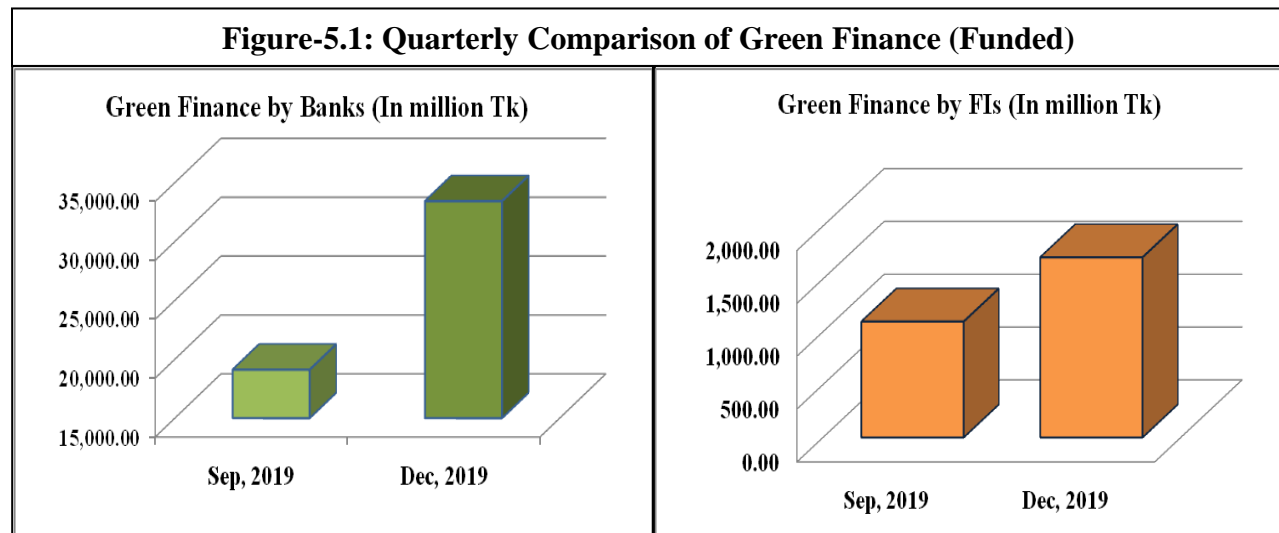
### 5.2 Overview of Green Finance:

The snapshot of sanction and disbursement of total finance along with green finance by banks and FIs during October-December, 2019 quarter is shown in Table-5.1. The quarterly shift from September 2019 to December 2019 evidences an increasing trend in case of Green Finance by Banks and FIs (Figure-5.1).

**Table-5.1: Sanction & Disbursement of Green Finance (Funded)**

Type of Bank/FI	<i>Total Finance in October-December, 2019 (in million Taka)</i>		<i>Green Finance in October-December, 2019 (in million Taka)</i>	
	<i>Sanctioned</i>	<i>Disbursed</i>	<i>Sanctioned</i>	<i>Disbursed</i>
SOCBs (06)	218,099.42	211,583.88	610.33	265.78
SDBs (03)	42,446.59	42,433.59	6.81	6.81
PCBs (41)	2,205,143.33	1,786,566.18	70,183.82	24,036.36
FCBs (09)	321,201.45	291,552.57	9,124.18	9,113.01
<b>Banks' Total</b>	<b>2,786,890.80</b>	<b>2,332,136.23</b>	<b>79,925.13</b>	<b>33,421.96</b>
<b>FIs (33)</b>	<b>66,241.63</b>	<b>59,527.39</b>	<b>1,256.19</b>	<b>1,703.50</b>

**Figure-5.1: Quarterly Comparison of Green Finance (Funded)**



### 5.3 Green Finance- Category wise:

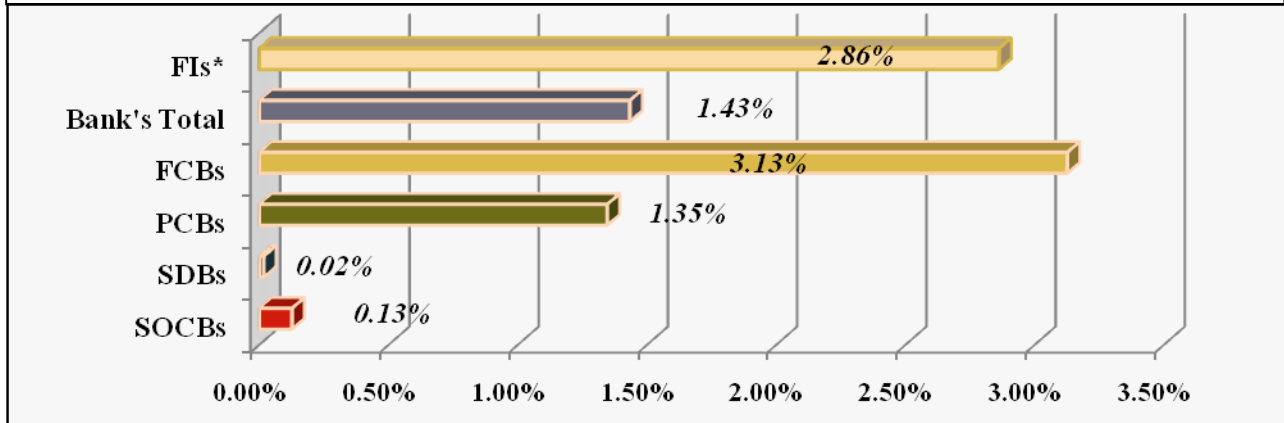
48 Banks out of 59 and 10 FIs out of 33 have had exposure in green finance in the reporting quarter. Total amount invested as green finance has been Tk. 33,421.96 million by banks and 1,703.50 million by FIs in October-December, 2019 quarter. A brief picture of green finance by Banks and FIs is shown in Table-5.2 & 5.3 and Figure-5.2, 5.3 & 5.4:

<b>Table-5.2: Green Finance (in million Taka)</b>				
<b>Type of Bank/FI</b>	<b>Sectors of Green Finance</b>			
	<b>Renewable Energy</b>	<b>Energy Efficiency</b>	<b>Alternative Energy</b>	<b>Waste Management</b>
<b>SOCBs (06)</b>	2.35	0.00	0.00	105.45
<b>SDBs (03)</b>	5.85	0.00	0.00	0.01
<b>PCBs (41)</b>	249.94	1,391.15	8.67	3,560.44
<b>FCBs (09)</b>	386.16	78.41	0.00	65.49
<b>Banks' Total</b>	<b>644.31</b>	<b>1,469.56</b>	<b>8.67</b>	<b>3,731.39</b>
<b>FIs (33)</b>	215.20	513.36	6.00	230.00

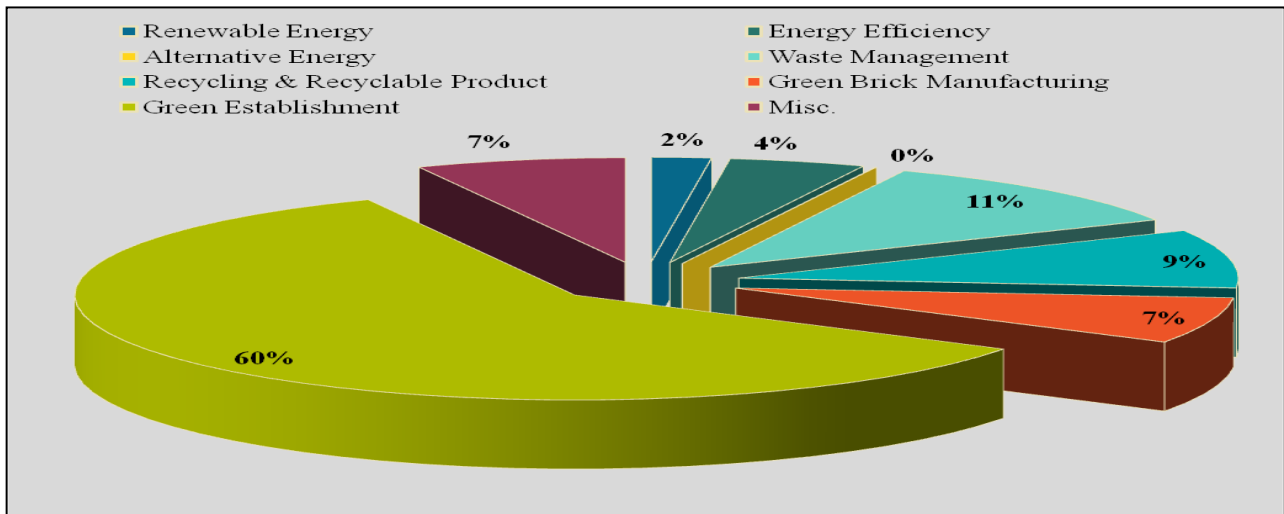
<b>Table-5.2: Green Finance (in million Taka)- Table Continued</b>				
<b>Type of Bank/FI</b>	<b>Sectors of Green Finance</b>			
	<b>Recycling &amp; Recyclable Product</b>	<b>Green Brick Manufacturing</b>	<b>Green Establishment</b>	<b>Miscellaneous</b>
<b>SOCBs (06)</b>	38.21	118.10	0.00	1.67
<b>SDBs (03)</b>	0.00	0.00	0.00	0.95
<b>PCBs (41)</b>	2,965.46	2,258.64	11,373.94	2,228.12
<b>FCBs (09)</b>	0.00	0.00	8,547.36	35.59
<b>Banks' Total</b>	<b>3,003.67</b>	<b>2,376.74</b>	<b>19,921.30</b>	<b>2,266.33</b>
<b>FIs (33)</b>	242.69	221.26	125.00	150.00

<b>Table-5.3: Green Finance as % of Total Finance</b>		
<b>Type of Bank/FI</b>	<b>As % of Total Sanctioned</b>	<b>As % of Total Funded Loan Disbursement</b>
<b>SOCBs (06)</b>	0.28%	0.13%
<b>SDBs (03)</b>	0.02%	0.02%
<b>PCBs (41)</b>	3.18%	1.35%
<b>FCBs (09)</b>	2.84%	3.13%
<b>Banks' Total</b>	<b>2.87%</b>	<b>1.43%</b>
<b>FIs (33)</b>	1.90%	2.86%

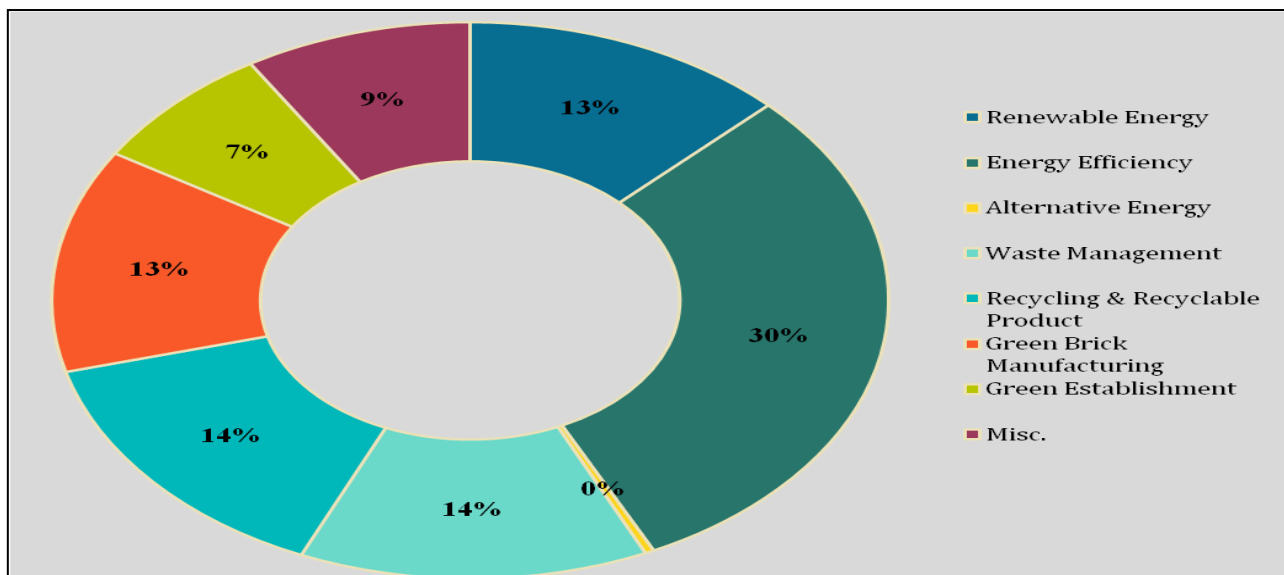
**Figure-5.2: Green Finance as % of Total Funded Loan Disbursement**



**Figure-5.3: Green Finance by Banks in different sectors**



**Figure-5.4: Green Finance by FIs in different sectors**



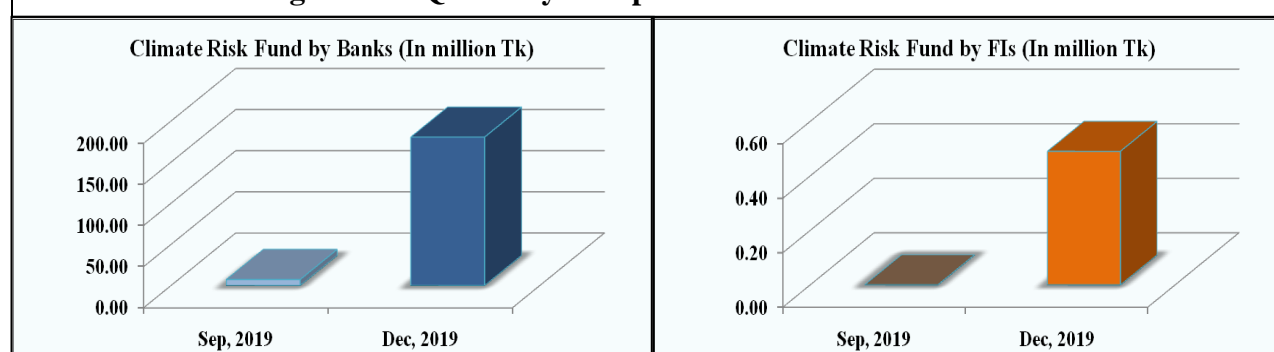
#### 5.4 Climate Risk Fund:

180.33 million taka has been utilized as grant from climate risk fund by Banks which is significantly high than the previous quarter (Figure-5.5). 0.49 million taka has also been utilized by FIs in this quarter.

**Table-5.4: Utilization of Climate Risk Fund (in million taka)**

Type of Bank/FI	Grant		Concessional Loan
	Event	Project	
SOCBs (06)	0.00	0.00	0.00
SDBs (03)	0.00	0.00	0.00
PCBs (41)	175.18	4.00	0.00
FCBs (09)	0.65	0.50	0.00
<b>Banks' Total</b>	<b>175.83</b>	<b>4.50</b>	<b>0.00</b>
<b>FIs (33)</b>	<b>0.19</b>	<b>0.30</b>	<b>0.00</b>

**Figure-5.5: Quarterly Comparison of Climate Risk Fund**



#### 5.5 Compliance Overview of ESRM Framework:

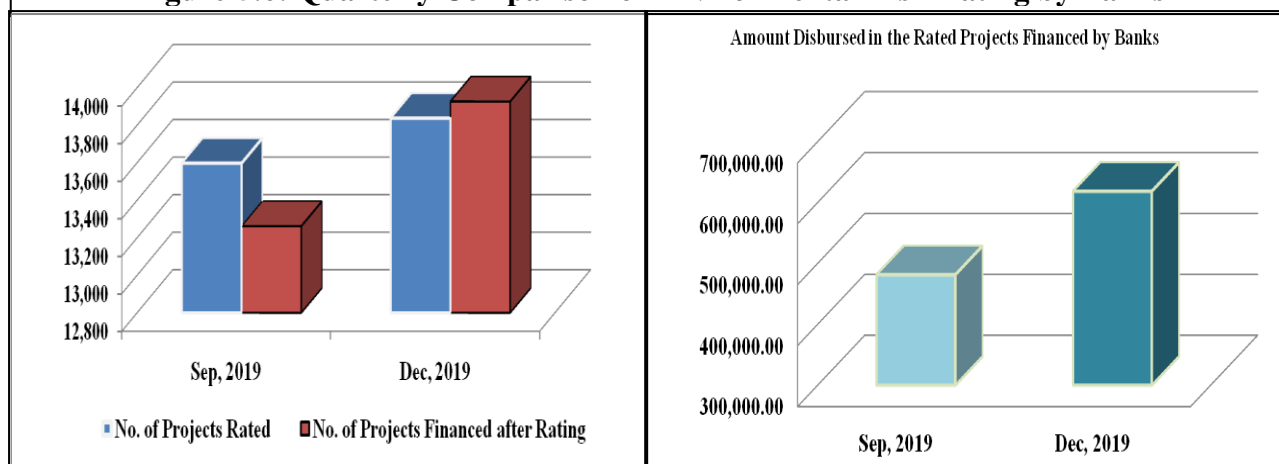
40 banks out of 58 and 16 FIs out of 33 have conducted environmental risk rating in the reporting quarter. The quarterly shift of ESRR by banks and FIs is showing a decreasing trend (Figure-5.6 & 5.7).

**Table-5.5: Environmental & Social Risk Rating**

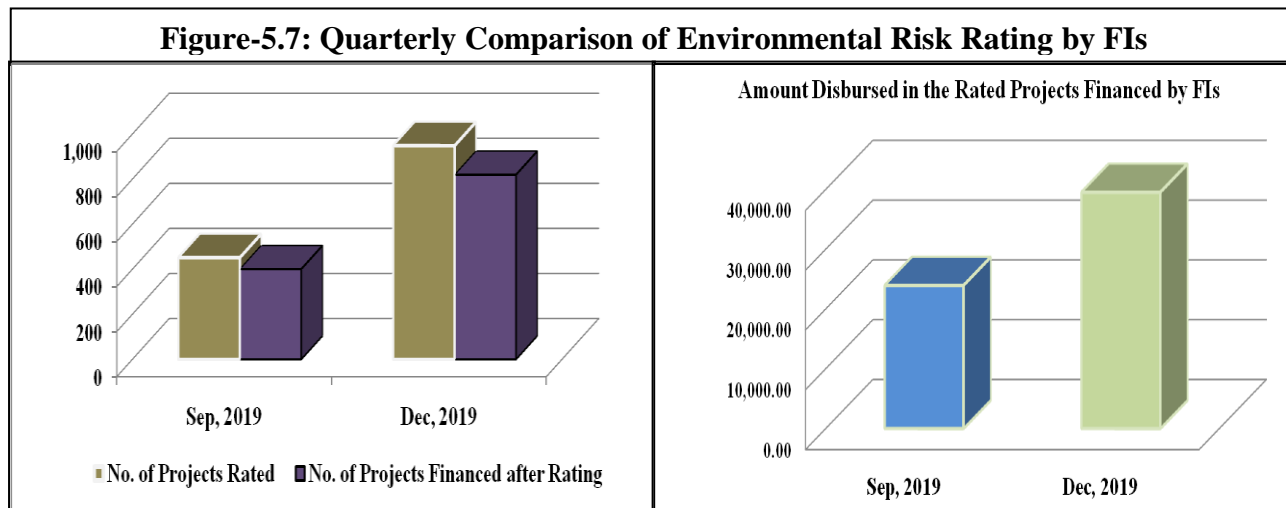
Type of Bank/FI	No. of Projects Rated	No. of Rated Projects Financed	Amount disbursed in Rated projects (in million taka)
SOCBs (06)	2,121	2,401	16,560
SDBs (03)	0	0	0
PCBs (41)	11,469	11,378	564,974
FCBs (09)	247	147	36,737
<b>Banks' Total</b>	<b>13,837</b>	<b>13,926</b>	<b>618,270.35</b>

FIs (33)	948	819	39,524.45
----------	-----	-----	-----------

**Figure-5.6: Quarterly Comparison of Environmental Risk Rating by Banks**



**Figure-5.7: Quarterly Comparison of Environmental Risk Rating by FIs**



**5.6 In-house Environment Management:**

**Table-5.6: Environmental Conservation in Business Centers**

Type of Bank/FI	No. of Branches	No. of branches powered by Solar Energy	No. of ATM Booths	No. of ATM Booths powered by Solar Energy	Number of Agent Outlets	Number of Solar Powered Agent Outlets
<b>SOCBs (06)</b>	3,777	76	240	2	200	0
<b>SDBs (03)</b>	1,421	5	6	0	0	0
<b>PCBs (41)</b>	5,283	512	7,046	63	26,437	5
<b>FCBs (09)</b>	64	5	139	11	0	0
<b>Banks' Total</b>	10,545	<b>598</b>	<b>7,431</b>	<b>76</b>	<b>26,637</b>	<b>5</b>
<b>FIs (33)</b>	284	3	-	-	-	-

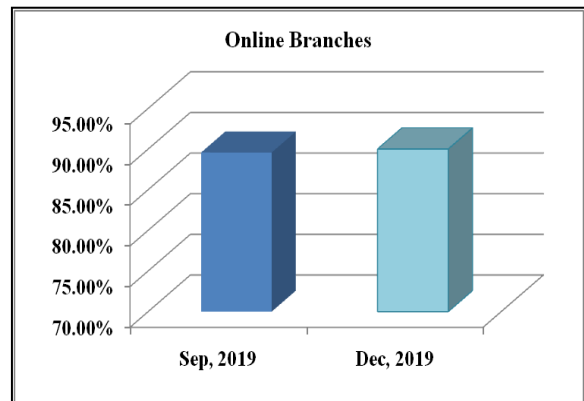
## 5.7 Online Banking:

56 Banks out of 59 have at least one online branch and 41 banks have introduced internet banking facility up to December, 2019. 90.00% automation towards green banking has been observed in the expansion of online branches (Figure-5.8).

**Table-5.7: Automation towards Green Banking (till December, 2019)**

Type of Bank/FI	No. of Total Branches	No. of Branches with online coverage	% of Online Branches
<b>SOCBs (06)</b>	3777	3,706	98.12%
<b>SDBs (03)</b>	1421	439	30.89%
<b>PCBs (41)</b>	5283	5,282	99.98%
<b>FCBs (09)</b>	64	64	100.00%
<b>Grand Total</b>	<b>10,545</b>	<b>9,491</b>	<b>90.00%</b>

**Figure-5.8: Online Branches**



## 5.8 Training, Promotion and Disclosure:

33 Banks have arranged 93 training programs concerning green banking where total number of participants was 3,392. On the other hand, 9 FIs have arranged 12 training programs concerning green banking where total number of participants was 197. A snapshot on training in October-December, 2019 quarter is given below:

**Table-5.8: Training in October-December, 2019**

Type of Bank/FI	No. of Programs	No. of Employees	No. of Customers
<b>SOCBs (06)</b>	8	144	0
<b>SDBs (03)</b>	6	165	0
<b>PCBs (41)</b>	73	2791	10
<b>FCBs (09)</b>	6	282	0
<b>Total</b>	<b>93</b>	<b>3,382</b>	<b>10</b>
<b>FIs (33)</b>	12	184	1

## 6. Concluding Remarks:

The green banking activities of Banks and FIs in the quarter ended December 31, 2019 has experienced an upward trend in green finance. Green finance by banks has been increased by 74.94% in this quarter than the previous one and in case of FIs it has been increased by 55.55%. The overall picture is very encouraging for this quarter. Few institutions have surpassed the target of green finance compared to the total disbursement (5%). As a 4th generation bank, NRB Bank Ltd. (11.39%) has done a fantastic job; besides, The HSBC Ltd. (7.42%) and Brac Bank Limited (5.08%) have done well. Among FIs, Bangladesh Infrastructural Finance Fund Limited (76.98%), Prime Finance & Investment Ltd. (50.00%), Islamic Finance & Investment Limited (14.77%) and Infrastructure Development Co. Ltd. (5.72%) have performed very well. BB is pursuing to boost up the whole scenario by taking appropriate policy initiatives. BB is also pursuing the banks and FIs to become more proactive to raise green finance. Refinance support from BB is also playing an important role to incentivize the green banking activities. As the outcome of these initiatives, green finance has been increased considerably compared to the previous quarter. It is expected that positive impact will be evidenced in the trend of green finance by banks and FIs in gradual manner. We also anticipate rigorous, effective and coherent efforts from banks and FIs in the field of green banking.

*Preserve nature & reduce pollution*



*for the sustainability of human race.....*