

## Green Banking Real Practice and Prospects in Bangladesh

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### *Abstract*

*The idea of green Banking is comparatively new in Bangladesh. This paper presents the green banking real practices and prospects in Bangladesh. The study is mainly based on secondary data that highlights the online and green financing guidelines for green banking practices as well as green banking unit. Green Banking is a new way of conducting the banking business by considering the ethical and environmental issues as well as corporate social responsibility (CSR). It is inevitable to practice green banking through banks because of globalization and to face the competition. On average, bank allocated Tk. 657.67 million for green banking in 2012. Since October 2012, Tk. 838.4 million has been allocated to the green projects. For 2018, banks have allocated Taka 101,190 million for green finance of which Taka 76,150 million has been utilized. The study concludes the green safety and security measures. Green banking is one of the major mechanisms to achieve SDGs and to be listed as a developed country.*

**Keywords:** Green Banking, Banks, Bangladesh etc.

**JEL Classification:** E58, G21, Q56

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## Introduction

Green Banking is like a traditional banking, which considers all the social and environmental factors. It is also called an ethical banking. Ethical banking has been started with an objective of protecting the environment. It is controlled by some authorities similar to traditional banking.

Green Banking means promoting environmental-friendly practices and reducing carbon footprint from banking activities. Green banking (sometimes referred as green investment bank, clean energy finance authority or clean energy finance corporation) is a financial institution, typically public or quasi-public, that uses innovative financing techniques and market development tools in partnership with the private sector to accelerate deployment of clean energy technologies. Green banking uses public funds to leverage private investment in clean energy technologies that, despite being commercially viable, have struggled to establish a widespread presence in consumer markets. Green banking seeks to reduce energy costs for rate payers, stimulate private sector investment and economic activity, and expedite the transition to a low-carbon economy.

Basically, it depends on three principles: i) Reduce Paper work ii) Create Environment Awareness and iii) Environment Standards. Green Banking steps are a) Sustainable banking, b) Ethical banking, c) Green mortgage, d) Green loan, e) Use Green checking accounts, f) Use green loans for Home Improvements, g) Power Saving Equipments, h) Use Green Credit Cards, i) Save Paper, j) Use solar and wind energy, k) Online and Mobile Banking, l) Green Money Markets Accounts and m) Remote Deposit.<sup>2</sup>

## Objectives of the study

The overall objectives of the study are to identify the actual green banking practicing scenario in Bangladesh with the level of existing rules and regulations of Government of the People's Republic of Bangladesh that is supervised by Bangladesh Bank. For this reason, to explore those objectives of the study will be set up by some specific objectives.

The specific objectives of the study are as follows:

1. To analyze the green banking real performance in Bangladesh;
2. To rationalize the scenario of green banking practices in Bangladesh; and
3. To draw some statement in these regards especially that will be related to the policy level.

## Rationale of the Study

Bangladesh is facing a now major issue that is Climate change. It is one of the most complicated issues. Across the globe there have been continuous activities to measure and

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2. Bora Dr. Chandan, Assistant Professor Green Banking: Changing Banking Scenario in India

mitigate the risk of climate change caused by human action. Although Financial Institutions (FIs) are considered environment friendly and do not impact the environment greatly through their own internal operations, the exterior impact on the environment through their patrons activities is extensive. The financial sector is one of the major sources of financing industrial projects which cause maximum carbon emission. Therefore, FIs can play a mediator role between economic progress and environmental security, for promoting environmentally sustainable and socially responsible investment. So, to aid the decrease of external carbon emission, like other FIs should finance green technology and pollution reducing projects. Although, financing is never measured a polluting industry, the present scale of financing operations have considerably augmented the carbon footprint of FIs due to their enormous use of energy (e.g. lightning, air conditioning, IT etc.), high paper wastage, lack of green buildings, etc. Therefore, FIs is expected to adopt technology, process and products which result in considerable reduction of its carbon footprint as well as develop a sustainable business. So that at this stage of globalization, global warming and climate change is a major alarming issue confronting every stage of all activities? To deliver right and satisfactory services for the clients, the study aims to identify the real scenario and prospects of green banking.

### **Methodology of the study**

The present study is analytical and conceptual in nature based on the secondary data. The secondary data has been collected from various newspapers, magazines, internet and commercial banks websites, Bangladesh Bank websites and reviews etc. Additionally, different working papers, journals and articles have been pursued enriching the literature of the study. To find out various green banking practices nationally and internationally, the websites of the respective banks have been utilized and studied. An intensive desk research has been undertaken to collect published data. The collected data are analyzed in the perspective of progress and adequacy of green banking activities in Bangladesh compared to the global endeavors. A comprehensive literature review was carried out in several steps for this theoretical paper. First, a broad review of the literature was made for green start-ups, sustainable entrepreneurship and green start-up finance looking at the characteristics of such study. The Banks has been selected on the basis of random sampling. In addition, Secondary data were collected from the department of Management Information System of the organization, department of Human Resources, online reports and journals, circulars, policies and guidelines prescribed by Bangladesh Bank. The study has been conducted by some bankers and clients' key informant interview and analyzed in respect of practices and problems of green banking. The limitation of the study is that no primary data have been used.

### **Historical Background**

Green banking or ethically responsible banking do not only advance their own initiatives but also affect socially responsible behavior of other business. In US, the green banking

concept was originally developed by Reed Hundt and Ken Berlin, as a part of the 2008 Obama-Biden Transition Team's efforts to facilitate clean energy development. A similar concept was adopted as an amendment to the federal cap and trade bill, called the American Clean Energy and Security Act, introduced in May 2009. A companion piece of federal green financing legislation was simultaneously introduced in the Senate, where it received broad bipartisan support. Green finance as a branch of green banking makes significant contribution to the transition to resource efficient and low carbon industries i.e. green industry and green economy in general. Green banking is a component of the global initiative by a group of stakeholders to harness for a better environment.

According to the statement of World Commission on Environment and Development (WCED), "Sustainable development is a development that meets the needs of the present without compromising about the ability of future generations to meet their own needs" (Smith, Rees, and Gareth 1998)<sup>3</sup>. In order to ensure sustainable development, world environmentalist groups consider that green banking would be one of the valuable arms. As a result, today's environmental stakeholders are pushing financial community to strictly implement Green Banking policy which they consider will help to protect the environment. "Green Banking is generally defined as promoting environmentally friendly practices that aid customers in reducing their carbon footprint through their banking operation activities. These practices include such things as online banking, statements, bill payments, and account opening. While Green Banking is not yet a key reason for most customers to select one financial institution over another, customer demands and greater environmental awareness are driving a number of financial institutions to go green (Nigamananda Biswas, 2011)<sup>4</sup>.

When the 2009 cap and trade legislation ultimately failed to pass in the Senate, green banking advocates in the US focused on the state level. Connecticut established the first state green bank in 2011, followed by New York in 2013. By the end of fiscal year 2015, the Connecticut Green Banking had supported \$663 million in project investments.

In the UK in 2009, two reports were published advocating the creation of a state-backed infrastructure bank to provide financing to green projects. The first, entitled "Accelerating Green Infrastructure Financing: Outline proposals for UK green bonds and infrastructure bank" was published in March 2009 by Climate Change Capital and E3G. The second, entitled "Delivering a 21st Century Infrastructure for Britain" was published by Policy Exchange in September 2009 and was written by Dieter Helm, James Ward law and Ben Caldecott.

Governments in all over the world are working on a balanced development where the country will be able to develop its economy without negative consequence on the

3. Smith, Rees, and Gareth (1998). *Economic Development (2nd edition)*. Basingstoke: Macmillan. ISBN 0-333-72228-0.

4. Biswas, N. (2011). 'Sustainable Green Banking Approach: The Need of the Hour', *Business Spectrum, Volume-I, No.-1, January -- June 2011*.

environment. Government has developed different framework and strategies to find out the best possible solution in order to protect the country as well as the global environment. The recent RIO+20 summit organized by United Nations which was held in Brazil also focused on how to safeguard global economic growth without destroying the planet in the process. Bangladesh as a part of the global family is considered as the most vulnerable country and would be one of the most severely affected countries for the consequence of environment pollution. Bangladesh as a part of united nation is also working on its internal environmental pollution. The country has developed different legislations to be applied on different industries to minimize the damage on its environment. Green Banking is one of the important legislations developed by Bangladesh Bank to be applied on Bangladesh's financial sector. Bangladesh Bank issued policy guidelines for developing Green Banking practices and Environmental Risk Management and circulars to handle climate change. Green Banking is a multi-stakeholders' endeavor where FIs have to work closely with government, NGOs, IFIs/IGOs, Central Bank, consumers and business communities to reach the goal. Green Initiatives by banks include internal environment management, environmental financing/product ecology, environmental disclosure and reporting, formulating and adopting principles and promoting other stakeholders<sup>5</sup>.

Thombre (2011) argued that the environmental impact of a bank's external activity is huge although it is difficult to estimate. Thus, encouraging environmentally responsible investments and careful lending should be one of the responsibilities of the banking sector (Sahoo and Nayak 2008)<sup>6</sup>. The bank should go green and play a pro-active role to take environmental and ecological aspects as part of their lending principle, which would force industries to go for mandated investment for environmental management, use of appropriate technologies and management systems (Hayder 2012). Verma (2012) stated that Indian banking is gradually coming to realize that there is need from a shift from the 'profit, profit and profit motive to 'planet, people and profit'. GB involves pursuing of financial and business policies that are not hazardous to environment and help to protect environment. The purposes of GB are to use resources with responsibility avoiding waste and giving priority to environment and society. In the past, the banking industry was made up of a large number of relatively small firms trading in distinctive geographical local markets. Their traditional business, which consisted of taking deposits and giving loans, was delivered through face to-face contacts with their clients in brick-and-mortar premises. The challenge to expand and capture a larger share of the banking market, in addition to meeting the challenges of increasing costs, demanding customers and growing competition, has driven banks to consider a more revolutionary approach to delivering their banking services. Consequently, many financial institutions have clearly embarked on the development of technology-driven strategies, which they hope will be translated in

5. Md. Nurul Islam, *the Impact of Green Banking on the Performance of ULnited leasing Company Limited*. BRAC university, 23rd June, 2015

6. Arunkumar, S. 2008. 'A study on attitude and intention towards internet banking with reference to Malaysian consumers in Klang Valley region', *International Journal of Applied Management and Technology*, 6(1): 115– 146.

terms of customer preference and, therefore, higher returns and higher market penetration. In other words, a move has been made towards using electronic delivery channels such as the Internet, telephone and mobile phone in private banking. The trend in the financial services industry has been to gradually replace over-the-counter banking with new electronic delivery channels (Thornton & White 2002: 59; Yu & Guo 2008: 8)<sup>7</sup>. As a result, recent years (particularly since 1995) have seen many banks embrace electronic banking in order to make banking easier for their customers and also to allow them to offer new services. This reduces the need for customers to visit branch offices (Hernández-Murillo, Llobert & Fuentes 2012)<sup>8</sup>.

As stated above, Green banking means an ethical, a socially responsible and a sustainable banking. A green banker is more than a banker, it is not an individual but a unit or a group or a team. As a regulator of financial sector, the central bank already proved resounding success to implement the concept of green banking in its regular activities. Besides, it also created congenial atmosphere for the banking sector to ensure profound impact of green banking on socio-economic landscape of Bangladesh.

### Green Banking Practices

More important, Green or sustainable banking is not limited only to in-house green activities, but extends to facilitating green financing. Environmental Risk Management (ERM) guidelines is an indispensable part of green banking and ERM is for assessing environmental risks and not intended to squeeze investment; rather it is for sustainable finance. The policy guideline for green banking has been devised on the basis of a green economy, which, in turn, is based on renewable energy (solar, wind, geothermal, marine including wave, bio-gas, and fuel cell), green buildings (green retrofits for energy and water efficiency, residential and commercial assessment, green products and materials, and LEED construction), clean transportation (alternative fuels, public transit, hybrid and electric vehicles, car sharing and carpooling programs), water management (water reclamation, grey water and rainwater systems, low-water landscaping, water purification, storm water management), waste management (recycling, municipal solid waste salvage, brown field land remediation, sustainable packaging), land management (organic agriculture, habitat conservation and restoration, urban forestry and parks, reforestation and a forestation and soil stabilization). Green banking undertakes proactive measures to protect environment and to address climate change challenges while financing along with efficient use of renewable, non-renewable, human and natural resources.<sup>9</sup> Major BB's Green Banking Activities other than In-house at a Glance as shown below table 1.

7. Cai, Y., Yang, Y. & Cude, B. 2008. 'Inconsistencies in US consumers' attitudes toward and use of electronic banking: an empirical investigation', *Journal of Financial Services Marketing*, 13(2): 150–163.

8. *Consumer Attitudes and Perception towards Green Banking in Bangladesh*: [https://www.researchgate.net/publication/280570348\\_Consumer\\_Attitudes\\_and\\_Perception\\_towards\\_Green\\_Banking\\_in\\_Bangladesh](https://www.researchgate.net/publication/280570348_Consumer_Attitudes_and_Perception_towards_Green_Banking_in_Bangladesh)

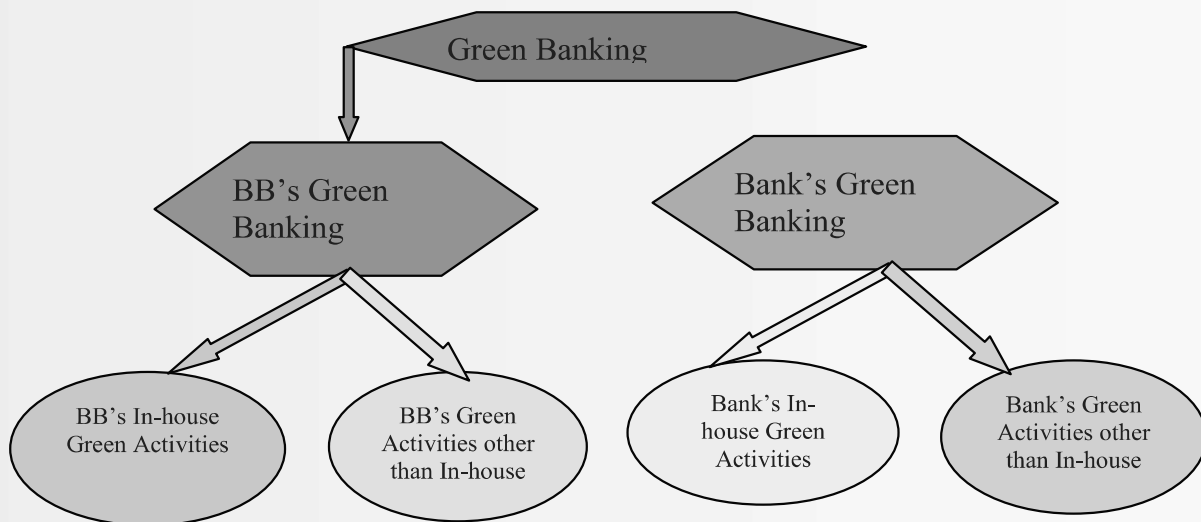
9. *Bangladesh Bank*.

**Table 1: Major Green Banking Activities at a Glance in July-September, 2018**

Issue	Bank	FI
Number of banks/FIs having Sustainable Finance unit	57	33
Number of banks/FIs having Green banking policy	56	33
Number of banks/FIs having Green office guide	56	33
Online branches (as % of total branches)	88.03%	-
Direct green finance as % of total funded loan disbursement	1.33%	0.50%
Number of solar powered branches	562	3

Source: Quarterly Review Report on Green Banking Activities of Banks & Financial Institutions and Green Refinance Activities of Bangladesh Bank; July – September'2018

***Green banking activities, in this study, has been addressed in the following approach:***



Bangladesh Bank, the central bank of the country, has implemented a number of in-house green initiatives besides ensuring sustainable practices by commercial banks. The major in-house practices of BB include installation of 8 kilowatt solar panel on its roof top in 2010; use of energy saving LED bulbs; in-house online connectivity; online salary and other necessary advice, personnel file updated information, office orders, electronic-pass for visitors; e-recruitment; e-tendering; Enterprise Data Warehouse; EXP Online Monitoring System; Online CIB; Bangladesh Automated Clearing House; Enterprise Resources Planning; Bangladesh Electronic Fund Transfer Network; and National Payment Switch.

Bangladesh Bank's green activities are concentrated in term of in-house and other than in-house activities. The word 'in-house activity' refers to domestic or activities limited to the office building related to network expansion, office automation and daily green operation etc. Under the networking program, all the departments (53) of Bangladesh Bank head office and its ten branch offices have already been brought under a computer network.

Besides, Bangladesh Bank has taken the lead position in encouraging and implementing IT based technologies in the overall banking sector as System Application and Product (SAP). The implementation of the Bangladesh Electronic Fund Transfer Network (BEFTN), Enterprise Resources Planning (ERP) and Mobile Banking Service are worth mentioning. Establishment of a National Payment Switch (NPS) is also a major driving force for the whole payment system. In addition, Bangladesh Bank with its network package is now activated on a web based e-tendering system, which covers announcement of tender, distribution of schedules, bidding etc., to ensure simplicity and transparency of the tendering process. Online salary and other necessary advice, personnel file updated information, office orders, notification about on-line balance statements for all members or employees of Bangladesh Bank, an electronic pass for visitors and many more such conveniences are instantly available.

From the beginning of the establishment of the NRB Bank Limited have started Green Transformation of Internal Operations and introduced Green Banking Products like E-Statement, Internet Banking, and Online Banking in their Bank. Their management has always stressed upon environment friendly initiatives, such as minimizing paper works both for internal and external communication, carbon emissions, conserve energy and water as much as possible, thus achieving efficiency in a cost-effective manner across the organization. In terms of energy consumption the building system achieves 12.57 percent reduction in energy cost. The intelligent use of double low-e, ceramic fritted glazing panel along the west facade maintains the required SHGC (solar heat gain coefficient) value while exhibiting an urban scale artwork along the boulevard. To maximize energy performance and reduce the impact on the environment from excessive energy the building has daylight harvesting, occupant sensing lighting control and energy efficient lighting. As a result, total energy consumption has been reduced by a significant level. As a whole NRB Bank Ltd. believes that the long term success and existence of their Bank is directly linked to the health and quality of the natural environment. They endeavor to continuously improve their environmental performance, reduce greenhouse gas emission, carbon footprint, and prevent pollution by adopting and promoting renewable resources, resource efficient products, community outreach, awareness and education.

Shahjalal Islami Bank Ltd formed one Sustainable Finance Committee and another Sustainable Finance Unit as per HRD Circular 2017/10 dated 30.01.2017 to start the activities of Sustainable Finance Committee and Sustainable Finance Unit in full swing. The Bank also abolished Green Banking Cell since Sustainable Finance Unit will do its job from now onward as per Bangladesh Banks instruction i.e. Friendly Banking, Preparing and circulation of Green Office Guide for in-house management; Assistance to Foundation on Corporate Social Responsibility (CSR); Preparing & modifying Green Strategic Planning, ESRM Operational Manual, Green Policy; Preparing & modifying any policy related to Environment & Social Risk; Ensure Gender Parity both inside and outside the organization; Carbon Footprint Measurement; Allocation and utilization of Climate Risk

Fund; Doing Green Marketing and organizing employees Training; Setting up Green Branch; Preparation of Sustainability Reporting for Bank; Implementation of SDGs; Green product Finance and Refinance; Reporting and Correspondence on Environment Friendly Banking, CSR and Sustainable Finance

Agrani Bank Limited has introduced environment friendly in house and out house green banking. The bank has already introduced a credit line for green financing to the sectors like solar energy, bio-gas plant and effluent treatment plant by Corporate Social Responsibilities (CSR). They have published Environment Friendly Office Instructions, conducted Maize Farmers Training and also provided Loan for Maize Farmers.

HSBC have policies and guidance on sustainability risk, including sector policies such as chemicals, forest and freshwater. Its environment-friendly financing policy is also aligned with the Green Banking guidelines circulated by the central bank of Bangladesh. HSBC in Bangladesh makes philanthropic donations to support local community programs. Many sponsorship programs are also organized to foster education, environment conservation and community advancement. Furthermore, HSBC also values local heritage and actively engages itself to strengthen its bonding with culture and local values by organizing different events and activations. The bank aims to utilize 75% of its total Community Investment expenditure to Education and environment where around 50% is given on Education and 25% on environment. Remaining amount is invested for the betterment of the local community and includes health, culture, and assistance to people with impairments.

*The Green banking initiatives and activities are given below.*



Bangladesh Bank issued Environmental Risk Management (ERM) Guidelines for Banks and Financial Institutions (FIs) vide BRPD Circular No.01/2011. Later in the same year, it issued Green Banking Policy Guideline for Banks vide BRPD Circular 02/2011. In 2012, under different categories, proper analysis of environmental risks and concentration therein

as per Environmental Conservation Act (ECA) 1995, ECR (Environmental Conservation Rules (ECR) 1997, ERM and Green Banking guidelines and other relevant instructions were issued time to time. Banks has also prepared sector specific environmental guidelines taking ECR 1997, Environmental Due Diligence (EDD) checklists and current environmental and climate change condition into consideration.

***Green Banking Policy needs to be covered through time framework which will be segregated into 3 phases.***

Phase-I (Time line 31.12.2011)	Phase-II (Time line 31.12.2012)	Phase-III (Time line 31.12.2013)
<ul style="list-style-type: none"> <li>•Policy Formulation &amp; Governance</li> <li>•Incorporation of Environmental Risk in CRM</li> <li>•Initiating In-house Environment Management</li> <li>•Introducing Green Finance</li> <li>•Creation of Climate Risk Fund</li> <li>•Introducing green Marketing</li> <li>•Online Banking</li> <li>•Supporting Employee, Training, Consumer Awareness</li> <li>•Discloser and Reporting Green Banking Activities</li> </ul>	<ul style="list-style-type: none"> <li>•Sector Specific Environmental Policy</li> <li>•Green Strategic Planning</li> <li>•Setting up Green Branches</li> <li>•Improve In-house Environment Management</li> <li>•Environment Risk Management Plan</li> <li>•Rigorous Program to Educate Clients</li> <li>•Discloser and Reporting Green Banking Activities</li> </ul>	<ul style="list-style-type: none"> <li>•Designing and Introducing Innovative Product</li> <li>•Reporting in Standarded Format with External Verifications</li> </ul>

Besides, to expedite the ongoing initiatives of banks and FIs at faster pace, from January 2016 onwards minimum target of direct green finance was set at 5% of the total funded loan disbursement/investment for all banks and FIs (GBCSRD Circular No. 04/2014). Recently, Bangladesh Bank instructed all banks and FIs to form Sustainable Finance Unit and Sustainable Finance Committee by abolishing both Green Banking and CSR units (SFD Circular No. 02/2016). Guidelines on Credit Risk Management (CRM) for Banks issued vide BRPD Circular No. 04/2016 have incorporated the evaluation of Environmental and Social Risks in the process of Credit Risk Management. On the contrary, Guidelines on Environmental and Social Risk Management (ESRM) for Banks and Financial Institutions in Bangladesh along with an Excel-based Risk Rating Model have been issued vide SFD Circular No. 02/2017 which will be enforceable from January 01, 2018 replacing the Guidelines on ERM to all extent.

To ensure the movement towards sustainability against the climate change, Banks and FIs were instructed to form a “Climate Risk Fund” and allocate at least 10% of their Corporate Social Responsibility budget for Climate Risk Fund. This funding can be done in both ways- by providing grants or financing at reduced rate of interest (GBCSRD Circular No. 04/2015). Meanwhile, Banks & FIs have been instructed to set up Solid Waste Management System, Rainwater Harvesting and Solar Power Panel in their newly

constructed or arranged building infrastructure (SFD Circular No. 01/2016). Besides, by the direction of Honorable Prime Minister, and Bangladesh Bank's instruction in conformity with that, all the banks & FIs must ensure the establishment and activeness of Effluent Treatment Plant (ETP) during financing to all possible clients (SFD Circular No 03/2016). 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 vide SFD Circular No. 03/2017<sup>10</sup>. Recently Bangladesh Bank has issued an integrated and comprehensive “master circular” vide SFD Circular No.02/2018, dated April 05, 2018 by revising and incorporating all the existing circular and circular letters related to the refinance scheme for Islamic banks and non-bank financial institutions (NBFIs) under renewable energy and eco-friendly sectors. According to this circular existing scheme will be named as "Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives". BB has enhanced the product range under this scheme from 50 to 51 and segregated these products into 8 categories.

### Present Status of Green Banking

The snapshot of sanction and disbursement of total finance along with green finance by banks and FIs during 2016 to 2018 is shown in Table-2; Where the study has been measured January to September for the year 2018. Here the findings illustrates that the percentages of the green financing has been increased over the year. Now this is almost two times higher comparing to the year 2016.

**Table 2: Allocation and Utilization of Fund for Green Banking Activities**

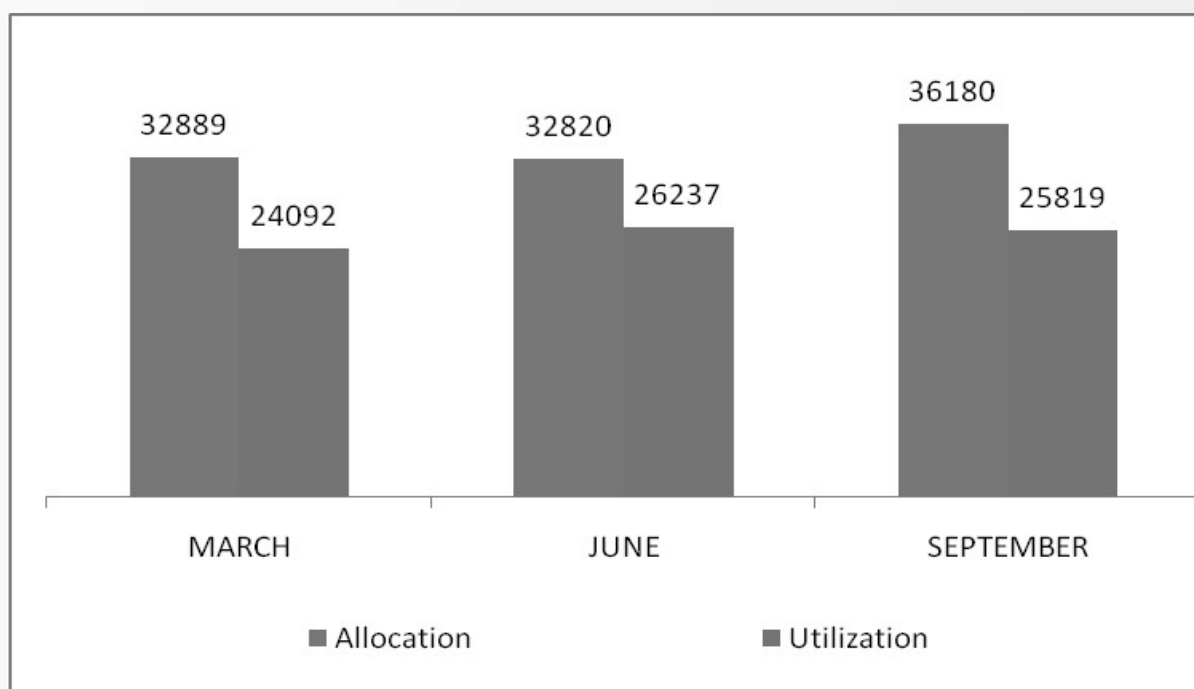
(in million Taka)			
Year	Allocation	Utilization	% of Utilization
2018	101,890.36	76,150.06	75
2017	1,297,188.75	562,510.40	43
2016	1,555,220.41	523,569.07	34

Source: Analyzing BB's data by author

As observed, 41 banks out of 57 and 17 FIs out of 34 have conducted environmental risk rating in the last reporting quarter. According to that, in this quarter number of Projects applicable for Environmental Due Diligence (EDD) rating is 20,987; number of projects rated is 12,263; number of rated project financed is 12,688 and amount disbursed in rated projects is 596,994.14 million taka. Total amount invested as green finance has been Tk. 101,890 million in 2018 that figure shown Figure 1<sup>11</sup>.

10. *Quarterly Review Report on Green Banking Activities of Banks & Financial Institutions and Green Refinance Activities of Bangladesh Bank 2018.*

11. *Source: Quarterly Review Report on Green Banking Activities of Banks & Financial Institutions and Green Refinance Activities of Bangladesh Bank; Jan – Mar, Apr – Jun, July – September'2018.*

**Figure 1: Green Finance Fund Allocation and Utilization in 2018 (Jan-Sep)**

Furthermore, 44 Banks out of 57 and 14 FIs out of 33 have had exposure in green finance, either direct (35 Banks, 8 FIs) or indirect (27 Banks, 9 FIs) mode in the reporting time. Green financing is on upward mode, Banks and FIs are concentrated in Indirect Green Finance. A brief picture of green finance by Banks and FIs is shown in table 3.

**Table 3: Direct Green Finance as% of total Finance in 2018**

Type of Bank/FI	As % of Total Green Finance	As % of Total Funded Loan Disbursement
SOCBs (06)	0.09%	0.09%
SDBs (02)	0.00%	0.00%
PCBs (40)	2.05%	1.75%
FCBs (09)	0.68%	0.02%
Total	1.70%	1.33%
FIs (3 4)	0.70%	0.50%
Grand Total	<b>1.61%</b>	<b>1.28%</b>

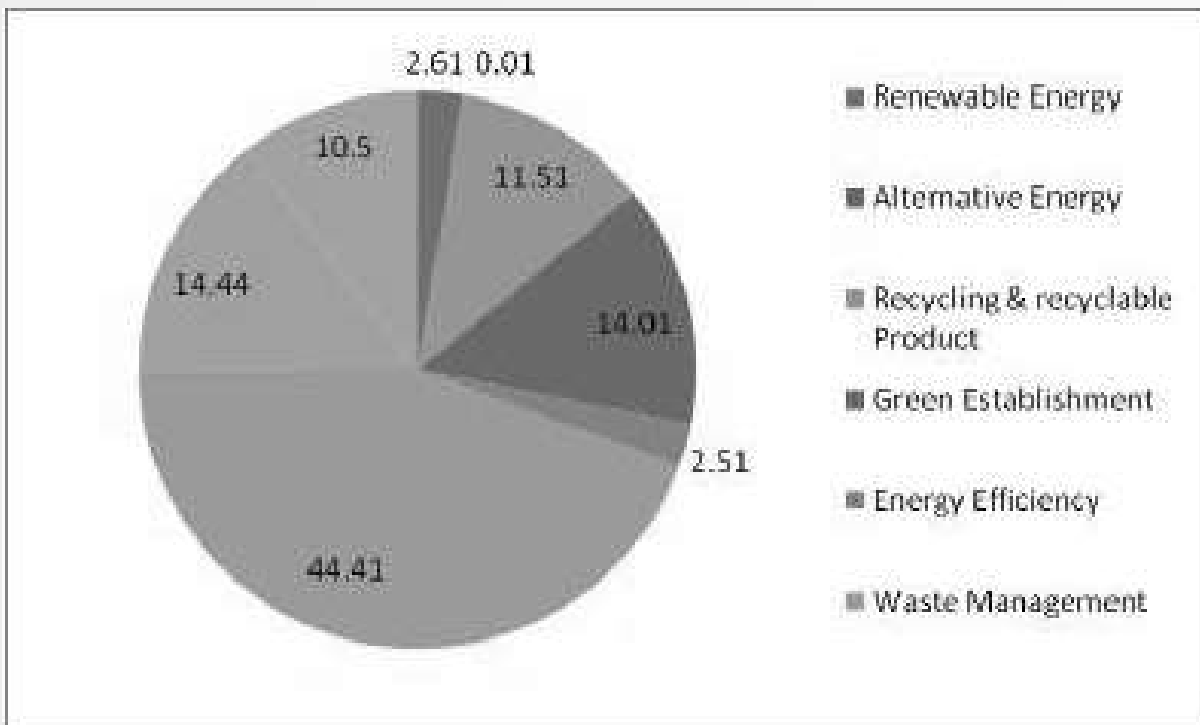
Source: Quarterly Review Report on Green Banking Activities of Banks & Financial Institutions and Green Refinance Activities of Bangladesh Bank; July – September'2018

In addition, 56 Banks out of 57 have at least one online branch and 46 banks have introduced internet banking facility up to September, 2018. Improved situation (87.35% to

88.03%) has been observed in the expansion of online branches. Internet banking facility has also been observed a steady condition (2.19% to 2.14%).

Besides this, “Financing Brick Kiln Efficiency Improvement Project” has been established in Bangladesh Bank funded by Asian Development Bank (ADB) 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. A total of 34 banks and 19 Financial Institutions have signed participation agreement with Bangladesh Bank so far. Taka 20.00 million has been disbursed for green industry under BB refinancing scheme (BB. Refinance Scheme for Environment Friendly Product/Initiative: during July-September quarter).

**Figure 2: Scenario of green finance by types in 2018**



It is noted that green finance across all over categories of the vital sectors in our promising economy. Waste management is a decisive sector to the environment as well as the healthy economy of a country. Green banking is moving all types of rising sector particularly energy and power which is the backbone of the development for a country. The people of the remote area are getting the result of green banking. If we are capable to continue the trend of the current economy than it is not so far to achieve the SDG and to be listed as a developed country within 2041. Figure 2 explains the whole scenario of green finance by types in 2018 (source: Quarterly Review Report on Green Banking Activities of Banks & Financial Institutions and Green Refinance Activities of Bangladesh Bank; July-September 2018).

### Challenges of Green Banking

Green banking faces a lot of challenges. Green banks limit their business exchanges to those business substances who qualify screening procedure done by green banks. With set number of clients they will have a littler base to support them. In the event that they center their credits on specific commercial ventures, they open themselves up to being a great deal more powerless against monetary movements. Numerous banks in green business are new and are in start-up face. Generally it takes a few years for a bank to begin making money but it does not help banks during inflation. Green banks require specialized talented, skills and experienced staff to provide proper services to customers. Employees like experienced loan officers are needed with additional background and experience in dealing with green businesses and customers. At their profit margins employees provides breaks to customers through discounted loan rate. If banks are involved in big projects which are damaging the environment they are likely to loss of their reputations. In the financing of ecologically and ethically questionable projects reputation risks are involved. There are also few cases where environmental management system has resulted in cost saving, increase in bond value. Credit risks arise because of proposing to those clients whose organizations are influenced by the expense of pollution, changes in environmental principles and new requirements on productions levels. It is higher because of probability of customer default as an effect of uncalculated costs for capital interest underway facilities, loss of market share and third party claims.

### Conclusion and Recommendations

Sustainable development and preservation of environment are now documented worldwide as superseding imperatives to defend our earth from the damage inflicted on it by mankind. A common thread running across all these initiatives is the focus on dipping the command for remnant fuels by implementing the 3R's viz. Reduce, Reuse and Recycle. All over the world, financial institutions are concerned about the overall impact of depletion of environment. Financial Institutions are not generally exposed to weather stresses nor are they heavily dependent on fossil fuels in their operations. Bangladesh is yet to reach a satisfactory level. In the present light of this situation, it becomes important for the Central Bank to monitor or supervise commercial banks' activities more strictly and investigate whether they are adopting the necessary measures to reach the required level, as outlined in the Green Banking policy formulated by Bangladesh Bank in 2011. It is the banks' responsibility to educate their customers about green products and greener financing options. It is also the government's responsibility to encourage the general people about adopting green banking practices. It is only through more extensive provision of a wider range of green banking products and services, that the banks in Bangladesh will be able to increase awareness of and improve the general perception of customers regarding green banking. This in turn will enable customers to have a more positive, supportive and encouraging attitude towards green banking practices in Bangladesh<sup>12</sup>.

12. *Consumer Attitudes and Perception towards Green Banking in Bangladesh.*

Overall, the all indicators of green banking are positive. BB anticipates more rigorous and effective performance of Banks and FIs in mainstreaming green banking activities especially in direct green finance. The green banking activities of Banks and FIs are upward trend in total green finance for both Banks and FIs. Last quarter has observed a downward trend. It is imperative that the new recruits get idea about Green Banking and the organizations endeavor in implementing it. As Green Banking is relatively a new concept and much of the customers of financial institutions have yet to know about it, and in order to create rapid awareness among the customers. To overcome the situation, we should implement the following recommendations. i) make customers more and more aware about green banking through their websites; ii) promoting different forms of electronic banking; iii) creating customer's awareness through the media; iv) carbon footprint reduction by saving energy and paper; v) carbon footprint reduction by offering transportation services for their employees.; vi) providing environment friendly rewards to customers; vii) by financing more and more environment-friendly projects; viii) join hands in more and more environment preserving causes; ix) focus on greening IT infrastructure; x) the insurance sector can be integrated to support promotion of green finance through risk minimization of green projects; xi) all types of activities could be completed by SAP as a paperless banking and xii) Bangladesh Bank may consider establishing a permanent Green Technology Financing Fund (GTFF) at a relatively low cost.

According to global development and response to the global warming, Green banking plays important roles. Government as well as every bank should take initiatives in respect of green banking practices for protecting our environment. Bangladesh bank will emphasize with significance of green banking activities/practices of a bank while according permission for opening new bank branches and approval for launching new bank. Government should also encourage the general people about the green banking practices. So, every bank has to participate and contribute to green banking practices in today's extreme national and global banking competition. And this is the landmark to achieve the vision 2021.

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