

Sustainable Banking

6.1 Sustainable Banking creates long-term resilient and sustainable economic, social and environmental values having a green, responsible and inclusive strategy through transparent and efficient utilisation of resources. This approach is based on certain principles that not only consider profit but also economic and social benefits. The main objective of sustainable banking is to maintain financial and social stability. Under the guidelines on Corporate Social Responsibility (CSR), Bangladesh Bank has been pursuing policy and instructions in all possible areas of sustainable banking for last half of a decade. The sustainable banking initiatives of Bangladesh Bank during FY14 have been undertaken under three broad categories named green banking, corporate social responsibility and financial inclusion.

A. Green Banking

6.2 Green banking initiatives of Bangladesh Bank broadly categorised into the following aspects: 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 in environmental management.

A.1. Policy Initiatives

6.3 In January 2011, Guidelines on Environmental Risk Management was issued to all banks and NBFIs which was first official

instruction of Bangladesh Bank regarding green banking. Policy Guidelines for Green Banking was issued to the scheduled banks in February 2011. Policy guidelines for Green Banking were issued to NBFIs in August 2013 and to the new banks in September 2013. Bangladesh Bank aligned the phase out plan to implementation of policy guidelines for all banks in December 2013. Green banking and environmental risk management have been included into the terms of reference of the risk management committee of the Board of Directors of the domestic banks.

A.2. Green Finance

6.4 A total amount of Taka 398.2 billion has been disbursed during FY14 by 42 banks involved in green finance. Sector-wise contribution of the total green finance shows that the PCBs played the main role (72.8 percent) followed by FCBs (21.4 percent), NBFIs (4.0 percent), SCBs (1.2 percent) and DFIs (0.7 percent). Product-wise and direct & indirect green finance by banks are given in Table 6.1 and Table 6.2 respectively.

A.3. Environmental Risk Management (ERM)

6.5 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

Table 6.1 Green finance in different products: FY14

(million Taka)

Type of banks	ETP		Bio-gas plant	Solar panel /renewable energy plant	Bio-fertiliser plant	HHK	Others	Green finance at reduced rate of interest
	For installation of ETP	Projects financed having ETP						
SCBs	5.87	2,963.68	4.64	262.36	13.28	1,403.09	46.50	0.00
SDBs	2.00	2,466.09	2.14	0.84	0.00	23.08	77.61	0.00
PCBs	1,205.63	266,460.23	400.79	1,475.20	1.68	3,546.38	16,667.18	47.68
FCBs	1,193.43	75,335.17	0.00	624.69	0.00	0.00	0.00	7,984.00
Total	2,406.93	347,225.17	407.57	2,363.08	14.96	4,972.55	16,791.29	8,031.68

Source: Green Banking and CSR Department, BB.

and NBFIs. ERR is applicable for the projects as well as the credit facility that fall above the threshold limit. All banks have conducted environmental risk rating in FY14. The number of projects applicable for Environmental Due Diligence (EDD) during the year is 38,893. Total amount of Taka 1580.7 billion disbursed in 30540 rated projects out of 35890 rated projects in FY14 (Table 6.3).

A.4. Climate Risk Fund and Green Marketing

6.6 Total amount of utilisation from climate risk fund by 22 banks and for green marketing by 29 banks were Taka 440.4 and 147.7 million respectively in FY14. For the financial institutions total amount of utilisation from climate risk fund was Taka 102.4 million and total expenditure for green marketing was Taka 1.29 million in FY14. It is mentionable that there is no contribution by new banks either in climate risk fund and green marketing during FY14.

A.5. Online Banking and Energy Efficiency

6.7 Forty six out of forty seven banks have online branch(es) in FY14 whereas the number of banks was forty five in FY13. Online branches are 51.9 percent of total branches in FY14 which were 47.0 percent in

Table 6.2 Direct and indirect green finance: FY14

(billion Taka)

Type of banks	Direct green finance	Indirect green finance	Total green finance	Sector wise contribution
SCBs	1.7	3.0	4.7	1.2
DFIs	0.1	2.5	2.6	0.7
PCBs	23.3	266.6	289.8	72.8
FCBs	9.8	75.3	85.1	21.4
NBFIs	9.2	6.8	16.0	4.0
Total	44.1	354.2	398.2	

Source: Green Banking and CSR Department, BB.

Table 6.3 Environmental risk rating of banks and NBFIs: FY14

Type of banks	No. of projects rated	No. of rated projects financed	Amount disbursed in rated projects (billion Taka)
SCBs	843	692	30.0
DFIs	1204	1204	24.4
PCBs	29023	25604	1344.3
FCBs	2649	1069	110.7
NBFIs	2171	1971	71.3
Total	35890	30540	1580.7

Source: Green Banking and CSR Department, BB.

FY13. Following the principle of green banking, all banks has established branches powered by solar energy. The number of branches powered by solar energy stood at 315 in FY14 and this was 248 in FY13.

A.6. BB's in House Environmental Management

6.8 BB installed solar power system on its rooftop for energy efficiency and chiller based central air conditioning system for reducing CFC emission. In order to reduce paper based works, e-recruitment, e-procurement, documentation management system, leave management system, online salary and account statement, personal file update system, online office orders, electronic pass for visitors etc. have been introduced through BB intranet. In addition, all the departments of Bangladesh Bank Head Office and its nine branch offices have already been brought under computer network (LAN/WAN), connecting more than 3,500 PCs. Bangladesh Bank has introduced open data initiative for all through its dynamic website which is updated all time. Most of the regulatory reporting from banks and NBFIs are collected through web upload and Enterprise Data Warehouse (EDW) system. Bangladesh Automated Cheque Processing System (BACPS), Bangladesh Electronic Fund Transfer Network (BEFTN), Credit Information Bureau Online and Enterprise Resources Planning (ERP) have started operation.

A.7. BB's Refinance Schemes for Green Products/Sectors

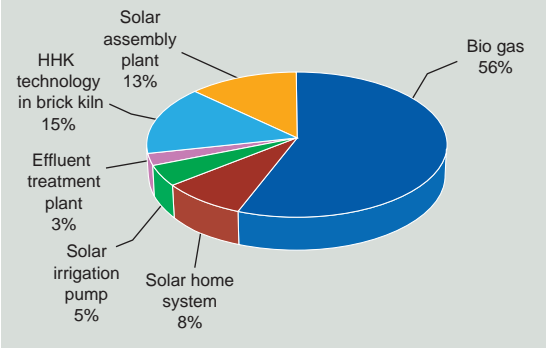
6.9 BB constructed a revolving refinance scheme amounting to Taka 2 billion from its own fund for six green products in 2009 in order to broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc. In FY14, BB enhanced the product line under this scheme from 6 to 44 and segregated these products

Table 6.4 Utilisation trend of BB refinance scheme for green products

Green product category	(million Taka)				
	FY10	FY11	FY12	FY13	FY14
Bio gas	1.9	50.2	133.2	113.6	212.8
Solar home system	0.0	59.4	10.5	40.2	32.2
Solar irrigation pump	3.1	12.4	8.4	0.0	17.9
Effluent treatment plant	0.0	10.8	22.2	57.4	10.0
HHK technology in brick kiln	0.0	0.0	55.0	172.2	59.0
Solar assembly plant	0.0	0.0	248.8	122.7	49.6
Total	5.0	132.8	478.1	506.1	381.5

Source: Green Banking and CSR Department, BB.

Chart 6.1 Shares of green products in refinancing: FY14



into 9 categories which are: renewable energy, energy efficiency, solid waste management, liquid waste management, alternative energy, fire burnt brick, non fire block brick, recycling & recyclable product and miscellaneous. BB is now planning to expand the product line which is expected to be circulated in the first quarter of FY15. Total disbursement of refinance scheme for green products through BB decreased by 24.6 percent to Taka 381.5 million in FY14 which was Taka 506.1 million in FY13. Product-wise disbursement for green products under refinance scheme decreased in FY14 except in solar irrigation pump. The utilisation trend of the fund is reported in Table 6.4.

6.10 A refinance scheme namely "Financing Brick Kiln Efficiency Improvement Project"

Table 6.5 Expenditure details of the BB disaster management & corporate social responsibility fund
(million Taka)

Sectors	Organisation	Project description	Amount	
Education	Proyash	Education & rehabilitation of specially challenged children	2.5	
Health	Dhaka Medical Collage Burn Unit VC-BSMMU	Expansion and Modernization of the Burn Unit	5.0	
		Treatment of poor children suffered by Rheumatology.	2.0	
Liberation War	Liberation War Museum Ekattor Bangladesh	Construction of 5-storied building of the museum	5.0	
		Development of liberation war web archive	0.7	
Environment	Bangladesh Bonno Prani Sheba Foundation	Purchase land for car parking & road construction	1.5	
Human resources development/ capacity building	Bangladesh Fire Service and Civil Defence Management Resources Development Initiative (MRDI)	Purchase equipment for capacity building	10.0	
		Implement the project 'CSR for Advancement & Social Emancipation (CASE)'	7.5	
		Implement the project 'Building Bridges through Leadership Training (BBLT)'	2.0	
		Establish Lab, specialised training for doctors & nurses	5.0	
Others	Autistic Children Welfare Foundation Dipto	Gender development, employment generation for marginal & destitute people	1.5	
		Madok Draba O Nesha Nirodh Sangstha (MANAS)	Production of anti-drug documentary film	4.0
		Resource Integration Centre (RIC) DC- Gopalganj	Employment generation for/rehabilitation of old age people	2.0
		Aid to 50 poor families of Beledanga village.	1.5	

Source: Green Banking and CSR Department, BB.

was established in Bangladesh Bank under the financing of Asian Development Bank (ADB). The project was designed with the aim of reducing undertaken to facilitate establishment of environment friendly brick field with appropriate use of technology and energy in 2012. Total amount of loan from ADB under the scheme is about USD 50.0 million/ equivalent BDT. It has two parts: Part-A and Part-B. USD 30.0 million (approximately)/ equivalent BDT will be provided under Part-A for conversion of Fixed Chimney Kiln (FCK) to improved Zigzag Kiln and about USD 20.00 million/ equivalent BDT for establishment of new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln will be allocated under Part-B. The terms and conditions for availing this refinance facility under this scheme has been amended in FY14. Thirty four banks and seventeen NBFIs have signed participation

agreement with Bangladesh Bank till June 2014. Taka 748.3 million (equivalent USD 9.6 million) has been disbursed for 5 sub-projects under this project till June 2014 and around USD 20.0 million for 13 sub-projects is in the pipeline.

B. Corporate Social Responsibility

B.1. BB's Own CSR Activities

6.11 The Board of Directors of BB has approved a separate fund named 'Bangladesh Bank Disaster Management & Corporate Social Responsibility Fund' as own CSR activities in FY14. Taka 50 million from the annual profit is contributed to the fund during the year. Taka 50.2 million (contribution from BB profit + bank interest) has already been disbursed in the current fiscal year for capacity building in different social responsibility projects addressing health,

education, environment and human resources development etc. Disbursement of this fund is reported in Table 6.5.

6.12 BB has taken initiatives under CSR activities of the banks and NBFIs to support the victims and volunteers of Rana Plaza tragedy such as, collection of one day salary of the employees of BB, scheduled banks and NBFIs, formation of a fund of Taka 1.90 billion by the BAB, ABB and BLFCA, to donate to the Prime Minister's Relief Fund. In addition, BB medical officials rushed to the spot with medical aids. On November, 2013, Bangladesh Bank honoured 135 rescuers of Rana Plaza victims for their heroic contribution to the rescue of 2438 workers from the debris. Each of the rescuers was provided with certificates, prize bonds of Taka 5000. Moreover, BB itself has created a fund of Taka 1.0 billion with the assistance of Japan International Cooperation Agency (JICA) to improve safety standards in the RGM sector to help factory owners for having credit facility from commercial banks at a maximum of 10 percent interest for rebuilding and relocating factories and equipment purchase.

B.2. CSR Activities of Banks and NBFIs

6.13 CSR initiatives of banks and NBFIs mainly focuses on i) financial inclusion of less privileged population segments and underserved economic sectors, ii) promotion of health, education and cultural/recreational activities for advancement and well being of underprivileged population segments, iii) promotion of environment friendly projects, iv) humanitarian & disaster relief v) adoption of

Table 6.6 CSR expenditure of banks and NBFIs

Sectors	(million Taka)			
	Banks		NBFIs	
	FY14	Sectoral share	FY14	Sectoral share
Humanitarian & disaster relief	792.3	17.8	10.7	23.1
Education	1238.6	27.8	10.2	22.0
Health	1058.2	23.7	8.8	19.0
Sports	208.8	4.7	0.3	0.6
Art & culture	368.2	8.3	6.4	13.8
Environment	128.5	2.9	1.8	3.9
Others	667.2	15.0	8.2	17.7
Total	4461.8	100	46.4	100

Source: Green Banking and CSR Department, BB.

Chart 6.2 Sectoral share of CSR expenditure of banks: FY14

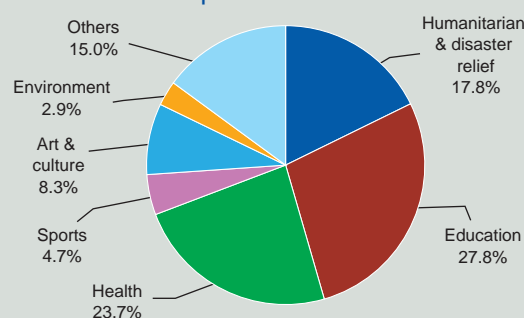
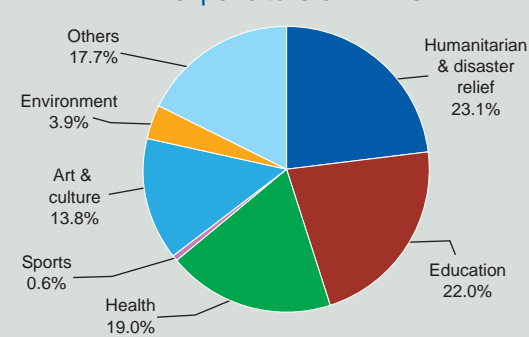


Chart 6.3 Sectoral share of CSR expenditure of NBFIs: FY14



energy efficient, carbon footprint reducing internal processes and practices in own offices and establishments. Total amount of CSR expenditure by banks and NBFIs in FY14 was Taka 4508.2 million.

Table 6.7 Total number of NFAs for farmers and non-farmers as of end June 2014

Name of banks	No-Frill Account					Total
	Farmers	Beneficiaries under social safety net programme	Freedom fighters	Small life insurance policy holder (Taka 100 A/C)	Others Taka 10 A/C	
Sonali Bank Ltd	2280050	1504202	134896	4272	343672	4267092
Janata Bank Ltd	1492646	357691	3207	2466	91182	1947192
Agrani Bank Ltd	1463420	392352	1150	1020	125607	1983549
Rupali Bank Ltd	487847	23266	235	693	49273	561314
Bangladesh Krishi Bank	2534917	583889	24810	4923	327723	3476262
Bangladesh Development Bank Ltd	1	0	3	0	0	4
Rajshahi Krishi Unnayan Bank	1430873	254362	810	2040	120349	1808434
Basic Bank Ltd	520	0	1	0	126	647
Total	9690274	3115762	165112	15414	1057932	14044494

Source: Green Banking and CSR Department, BB.

6.14 Sector-wise contribution of total CSR expenses by banks shows that education is the highest priority sector (27.8 percent) followed by health (23.7 percent), humanitarian and disaster relief (17.8 percent), art and culture (8.3 percent), sports (4.7 percent) and other sectors (15.0 percent) in FY14. On the other hand, sector-wise contribution of total CSR expenditure by NBFIs shows that humanitarian and disaster relief sector got the largest share (23.1 percent) followed by education (22.0 percent), health (19.0 percent), art and culture (13.8 percent), sports (0.6 percent) and other sectors (17.7 percent) in FY14 (Table 6.6, Chart 6.1 and 6.2).

C. Financial Inclusion

6.15 Financial inclusion is currently considered one of the most effective tools for ensuring financial and social stability specially in developing countries. It promotes access to appropriate financial services or products at affordable cost. BB has taken various initiatives to bring the huge number of financially excluded people under the financial

Table 6.8 School banking account and outstanding as of end June 2014

Type of banks	Number of accounts	Outstanding (million Taka)
SCBs	101468	50.4
DFIs	106503	69.8
PCBs	430284	3935.3
FCBs	1210	17.4
Total	639465	4072.9

Source: Green Banking and CSR Department, BB.

services. It included directives to banks for opening No-Frill Accounts (NFAs) for farmers, freedom fighters, beneficiaries under social security programme, small life insurance policy holders, hardcore poor beneficiary workers, banking for minors, school banking and banking for working/street children.

C.1. NFAs for Farmers and other than Farmers

6.16 BB instructed the state-owned and specialised scheduled banks to open NFAs for farmers in January 2010. Following that, BB gradually issued instructions to these banks for opening NFAs in more additional 8 categories up to FY13. In FY14, these banks

were instructed to open NFAs for cleaning staffs of Dhaka North and Dhaka South City Corporation. Instruction was given to all banks to open NFAs for readymade garment workers and workers of small footwear & leather product industries.

6.17 As of end June 2014 Sonali Bank Ltd has opened 4267092 NFAs followed by Bangladesh Krishi Bank (3476262 accounts), Agrani Bank Ltd (1983549 accounts), Janata Bank Ltd (1947192 accounts), Rajshahi Krishi Unnayan Bank (1808434 accounts), Basic Bank Ltd (647 accounts) and Bangladesh Development Bank Ltd (4 accounts). Sector-wise distribution of NFAs opened in state-owned and specialised scheduled banks shows that farmers have opened 9690274 accounts followed by beneficiaries under social safety net programme (3115762 accounts), others Taka 10 A/C (1057932 accounts), freedom fighters (165112 accounts) and small life insurance policy holder Taka 100 A/C (15414 accounts) as of end June 14. Total number of NFAs for farmers and non-farmers is reported in Table 6.7.

C.2. School Banking

6.18 As a part of broadening and deepening of financial inclusion, school banking for students under age of 18 was initiated in 2010. Since then, banks have been providing banking services to school students through savings accounts and deposit schemes for promoting savings behaviour among students, oriented them with banking literacy and modern banking technology. According to guidelines of school banking issued in October 2013, any school student of 6-18 years age may open a school banking

account in any scheduled bank through parents or legal guardian by depositing Taka 100. There is no service charge against these accounts. Total outstanding of school banking stood at Taka 4072.9 million against 639465 accounts at the end of June 2014. The updated status of school banking is given in Table 6.8.

C.3. Banking for Working/Street Children

6.19 In order to include the extremely excluded children into the formal financial services, BB introduced banking for working/street children in March 2014. These accounts can be opened through any enlisted NGO as custodial account by depositing Taka 10. Concerned NGO will be fully responsible for the operation of the accounts and the well being of the account holder children. This activity has started in 31 May 2014 and seven banks have signed bi-lateral agreement with different registered NGOs for offering this service as of end June 2014. Total outstanding of working/street children account stood at Taka 35.4 thousand against 405 accounts at the end of June 2014. The outstanding position of these accounts is presented in Table 6.9.

C.4. Agent Banking

6.20 With a view to creating alternative delivery channel for banking services of non-privileged, underserved and the poor population of the society, especially from geographically dispersed location, agent banking has been introduced in December 2013. Agent banking has opened doorway to provide financial services through an outlet of a bank where the establishment of a full-fledged branch establishment is extremely

difficult or not feasible. To facilitate the agent banking activities, a guidance note for approval and operation of agent banking activities of banks has been issued in June 2014.

C.5. BB Refinance Scheme for Taka 10 Account Holders

6.21 In order to bring the financially deprived grass root level people under formal financial services and to gearing up the banking activities of Taka 10 accounts, BB formed revolving refinance fund of Taka 2.0 billion in May 2014. Highest limit of this refinance facility is Taka 50,000.0 and participating banks will be provided interest subsidy under certain conditions.

C.6. NRB Database

6.22 Foreign remittance has important contribution in the Bangladesh economy. Bangladesh received its highest-ever annual remittance of about USD 14.50 billion in FY13. In order to acknowledge their contribution, BB has taken an initiative to collect the information of NRBs and maintain that in a dynamic, interactive and online database. Any NRB can open an account in this database through BB website and upload his/her information. This database will play as a communication platform for BB and NRBs as well. For Bangladesh Bank, this database helps to promote and uphold investment information arranged for NRBs by government, to create awareness on proper remittance channel and method, important

Table 6.9 Working/street children account and outstanding as of end June 2014

Name of Banks	Name of listed NGO	Number of accounts	Total (thousand Taka)
Rupali Bank Ltd	Manab Sheba & Samajik Unnayan Sangostha	231	24.0
Bangladesh Krishi Bank,	Prodipon	-	-
City Bank Ltd	Prodipon	51	6.3
One Bank Ltd	Prodipon	55	3.1
Marcantile Bank Ltd	Oporajayo Bangla	-	-
Bank Asia Ltd	Brac	63	1.9
National Bank Ltd	Community Participation and Development (CPD)	5	0.1
Total		405	35.4

Source: Green Banking and CSR Department, BB.

financial or economic moves of government in which NRBs can participate. NRBs can submit complaint, query or feedback through this database. They can also use this database to search for other NRBs by country of residence profession etc.

C.7. Financial Education

6.23 Bangladesh Bank has started to undertake diverse financial education initiatives from FY14 in a rigorous manner. These include creation of a dynamic and interactive web portal linked to BB website, preparation of two Television Commercials (TVCs), ten Radio Broadcasting Commercials (RBCs) and awareness creating press layouts. This web link contains story books, games, videos, a financial calculator for computing information on different banking services and informative write ups on different financial services, products and delivery channels.