

## Sustainable Banking

6.1 Sustainable banking appeared in conventional financial service institutions with the management of environmental risks. The integration of sustainability into the banking sector has taken two key directions. Firstly, the pursuit of environmental and social responsibility in a bank's operations through environmental initiatives (such as recycling programs or improvements in energy efficiency) and socially responsible initiatives (such as support for cultural events, improved human resource practices and charitable donations). Secondly, the integration of sustainability into a bank's core businesses through the integration of environmental and social considerations into product design, mission policy and strategies. For example- the integration of environmental criteria into lending and investment strategy and the development of new products that provide environmental businesses with easier access to capital. BB has been pursuing policy and instructions in all possible areas of sustainable banking for banks and non-bank financial institutions (NBFIs) to ensure sustainable banking practices. Sustainable banking mainly focuses on three broad categories—green banking, corporate social responsibility and financial inclusion.

### Green Banking

6.2 Generally Green banking includes: Sustainable banking, Ethical banking, Green mortgages, Green loans, Green credit cards, Green savings accounts, Green checking accounts, Green money market accounts, Mobile banking, online banking, Remote deposit, Waste Management, Roof Gardening, and Green Financing. Bangladesh Bank is the

**Table 6.1 Green finance in different Products in FY17**

Category of green finance	(million BDT)					
	SCBs	DFIs	PCBs	FCBs	FIs	Total
Renewable energy	47.9	4.3	2202.5	330.1	1859	4443.8
Energy efficiency	0	2.1	3118.8	0	277.4	3398.3
Solid waste management	0	0	7.3	0	0	7.3
Liquid waste management	101.3	0	8678.2	15.3	282.4	9077.2
Alternative energy	0	0	132.7	0	0	132.7
Fire burnt brick	441.1	11.9	4646.6	0	1085.7	6185.3
Non fire block brick	1	0	192.6	0	0	193.6
Recycling & recyclable product	283.2	0	5813	0	180.2	6276.4
Green industry	481.8	0	4212.2	152.6	900.2	5746.8
Safety and security of factory	40	0	1438	53.3	46.5	1577.8
Misc.	9.7	0.6	10.3	0	0	20.6
Others	1478.4	0	126.3	0	1.2	1605.9
Total	2884.4	18.9	30578.5	551.3	4632.6	38665.7

Source: Sustainable Finance Department, BB.

**Table 6.2 Direct and indirect green finance in FY17**

Types of banks	(million BDT)				Sector-wise contribution (percent)
	Direct green finance	Indirect green finance	Total green finance		
SCBs	2884.4	4336.2	7220.6	1.3	
DFIs	18.9	0	18.9	0.0	
PCBs	30578.5	395366	425944.5	77.7	
FCBs	551.3	100973.6	101524.9	18.5	
FIs	4632.6	9275.1	13907.7	2.5	
Total	38665.7	509950.9	548616.6	100.0	

Source: Sustainable Finance Department, BB.

first central bank which has taken real initiatives, according to a definite agenda in its vision and mission to play a specific role in Green Banking by taking responsibility in safeguarding the planet from unusual weather patterns, rising greenhouse gas and declining air quality. Bangladesh is one of the most environmentally influenced country in the world. Keeping this in mind, Bangladesh Bank established a Green Banking Policy in 2011 for proactively guiding the banks and NBFIs for encouraging them to adopt risk management practices to safeguard against inevitable environmental concerns.

## Policy Initiatives

6.3 First policy instruction of BB regarding green banking was the issuance of guidelines on Environmental Risk Management (ERM) for all banks and NBFIs in January 2011. In February 2011, a policy guideline for green banking was issued to the scheduled banks. A policy guideline for green banking was issued to NBFIs in August 2013 and to the new banks (scheduled in 2013) in September 2013. To expedite the ongoing initiatives of banks and NBFIs at faster pace for sustaining the environment compatible to climate change risk, a minimum target of direct green finance has set at 5 percent of the total loan disbursement/investment from January 2016 onwards for all banks and NBFIs. Banks and NBFIs have been instructed to form a 'Climate Risk Fund' according to the above mentioned policy guidelines for green banking. To ensure the movement towards sustainability against the climate change, Banks and NBFIs shall allocate at least 10 percent of their corporate social responsibility budget for climate risk fund and this funding can be done in both ways—by providing grants or financing at reduced rate of interest. Meanwhile, banks and NBFIs have been instructed to set up solid waste management system, rainwater harvesting and solar power panel in their newly constructed or arranged building infrastructure. Alongside, 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. Besides, by the direction of Honorable Prime Minister, and Bangladesh Bank's instruction in conformity

**Table 6.3 Environmental risk rating of banks and NBFIs in FY17**

Types of banks	No. of projects applicable for EDD	No. of projects rated	No. of rated projects financed	Amount disbursed in rated projects (million BDT)
SCBs	1,774	1,723	1,681	43,699.8
SDBs	20	14	20	828.1
PCBs	81,799	71,442	61,784	2,125,465.3
FCBs	2,735	2,117	2,012	156,449.2
Fis	2,592	2,721	2,949	112,638.3
Total	88,920	78,017	68,446	2,439,080.7

Source: Sustainable Finance Department, BB.

with that, all the banks & FIs must ensure the establishment and activeness of Effluent Treatment Plant (ETP) during financing to all possible clients.

## Green Finance

6.4 A total amount of BDT 548.6 billion was disbursed during FY17 by 50 banks and NBFIs involved in green finance. Sector-wise contribution of the total green finance shows that the PCBs played the main role (77.7 percent) followed by FCBs (18.5 percent), NBFIs (2.5 percent), and SCBs (1.3 percent). Product-wise and direct and indirect green finance by banks are given in Table 6.1 and Table 6.2 respectively.

## Environmental Risk Management (ERM)

6.5 Environmental Risk can be regarded as 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 ESRM for banks 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 FY17 (Excluding Shimanto Bank Ltd). The number of projects applicable for Environmental Due Diligence (EDD) during the year is 88920. Total amount

of BDT 2439.1 billion disbursed in 68446 rated projects out of 78017 rated projects in FY17 (Table 6.3).

### Climate Risk Fund and Green Marketing

6.6 Total amount of utilization from climate risk fund and for green marketing by banks were BDT 876.1 million and 48.2 million respectively in FY17. For the NBFIs total amount of utilization from climate risk fund was BDT 3.5 million and total expenditure for green marketing was BDT 2.0 million in FY17 (Table 6.4).

### Online Banking and Energy Efficiency

6.7 56 banks had executed their operations through online branches at the end of FY17. During the same period, 72.7 percent of total branches were made Online branches compared to 75.1 percent at the end of previous fiscal year. Green banking policy has pursued the banks to establish branches powered by solar energy. The number of branches powered by solar energy stood at 500 at the end of FY17 compared to the number of 493 at the end of FY16.

### 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. BB initiated the process to measure the Carbon Footprint of its own. E-Recruitment, Documentation Management System, Leave Management System, Online Salary and Account Statement, Personal file update system, Online Office Orders, Electronic pass for visitors and many others have been introduced through BB intranet. All the departments of Bangladesh Bank Head Office and its 10 (ten) Branch offices have already

**Table 6.4 Utilization of Green Fund in FY17**  
(in million BDT)

Type of Bank/FI	Green Finance	Climate Risk Fund	Marketing, Training and Capacity Building	Total
SCBs	7,220.6	2.5	4.5	7,227.5
DFIs	18.9	0.0	0.0	18.9
PCBs	425,944.4	823.7	43.7	426,811.9
FCBs	101,524.8	49.9	0.0	101,574.7
FIs	13,907.7	3.5	2.0	13,913.2
Total	548,616.3	879.6	50.2	549,546.1

Source: Sustainable Finance Department, BB.

been brought under a computer network (LAN/WAN), connecting more than 3500 PCs. Bangladesh Bank has introduced open data initiative for all readers and researchers through its dynamic website which is updated at all time. Most of the regulatory reporting from banks and FIs 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 and Enterprise Resources Planning (ERP) have started online operation. Bangladesh Bank has also started e-tendering and e-procurement.

### BB's Refinance Schemes for Green Products/Initiatives

6.9 A revolving refinance scheme amounting to BDT 2.0 billion was introduced in 2009 with a view to broaden financing avenue for green products or initiatives like solar energy, bio-gas plant, effluent treatment plant etc. Initially, six green products or initiatives were identified to extend the refinance facility under this scheme. Later on, considering the market demand and expert opinions from the technical advisory committee, Bangladesh Bank has enhanced the eligible green products/initiatives for refinance under the scheme from six to fifty since 2016. At present

**Box 6.1 Achievement of Sustainable Development Goals (SDGs): Role of Bangladesh Bank**

The Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. It generated 17 Sustainable Development Goals build on successes of the Millennium Development Goals (MDGs) while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The SDGs are an inclusive agenda and poverty eradication is the heart of the 2030 Agenda. Bangladesh showed outstanding performance achieving MDGs particularly in the areas of eradicating extreme poverty, ensuring primary education, reducing child mortality, improving maternal health, developing environmental sustainability. As the consequences Government of Bangladesh has set goals upon phase wise plans for achieving SDGs and developed a mapping document involving all ministries, division and agencies by SDGs and target for fast track implementation.

Bangladesh Bank (BB) as the regulator of financial sector has already developed its own SDGs target mapping towards its implementation since 50 SDGs targets among 169 targets are directly or indirectly interlinked with BB's activities. According to 'Financing Strategy for SDGs (Addis Ababa Action Agenda)', private sector financing carries significant role in implementing SDGs. BB has adopted pro-poor, inclusive and sustainable monetary policies and provided pro-poor, agricultural and SME credit policies and programs which direct sustainable credit flow for need based beneficiaries. No-frill accounts for beneficiaries of different social protection scheme of Government helps achieving substantial coverage of the poor and the vulnerable. BB has developed mobile financial services (MFS), agent banking, financial literacy and school banking and strengthened consumer protection in banking which have broaden the access to the financial services with new technology. Installation of Bangladesh Automated Clearing House, Bangladesh Electronic Fund Transfer Network and National Payment Switch are other remarkable events in the history of our financial sector. Green finance for waste water management, water recycling, renewable energy and energy efficiency has opened the pathways for substantially increase water-use efficiency and the share of renewable energy in the global energy mix and energy efficiency as well.

Gender sensitive governance policies and credit policies have been issued for banks and financial institutions to improve gender equality including women equal rights to economic resources, as well as access to ownership and control over land and other forms of property and financial services which ultimately develop women empowerment. Actions and programmes regarding database management efficiency significantly increase the availability of high-quality, timely and reliable data to develop measurements of progress on sustainable development that complement gross domestic product and support statistical capacity-building for the stakeholders. Bangladesh Bank plays a vital role to design policy guidelines and programs for stakeholders of financial sector of Bangladesh towards implementing the sustainable development goals. BB acts as bridge monitoring communication and coordination among concerned government agencies to implement the terminology and financing approaches of sustainable development.

total 51 green products/initiatives are eligible for refinancing facilities under this scheme. Inclusion of 'Green Featuring Building' as a new green product/initiative and reduction of interest rate at the customer end are the major recent policy initiatives of Bangladesh Bank in refinance scheme. Participatory Banks/Financial Institutions are allowed to charge maximum interest rate of 8 - 9 percent instead of previous maximum 9 percent on financing in green products/initiatives under the scheme. However, due to put top priority on agriculture sector "Solar Irrigation Pumping System" is given priority over the conventional diesel and electricity run pumps. In accordance with the Government's policy, Bangladesh Bank has set maximum interest rate at 7 percent for financing of Participatory Banks/Financial Institution in 'Solar Irrigation Pumping System' Products/initiative under the refinance scheme. The cumulative amount refinanced under the scheme up to June 2017 stood at BDT 3.1 billion. Total disbursement under the BB's refinance scheme for green products/initiatives decreased by 62.0 percent to BDT 348.60 million in FY17 which was BDT 919.70 million in FY16. The disbursement trend under the scheme and product wise disbursement for FY17 is given in Table 6.5 and Chart 6.1 respectively.

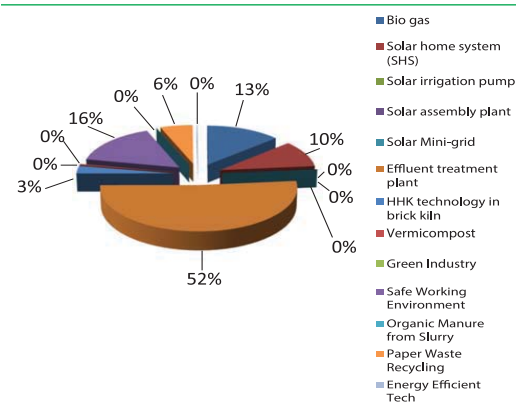
6.10 ADB supported revolving relending facility 'Financing Brick Kiln Efficiency Improvement Project' was established in Bangladesh Bank (BB) in 2012 with a view to improving the brick sector especially brick kilns through constructing more energy-efficient and environment friendly brick kilns resulting in reduced Green House Gas (GHG) and Suspended Particulate Matter (SPM). In this revolving relending disbursement process, total amount of loan from ADB is around USD 50.0 million or equivalent BDT. The facility has two

**Table 6.5 Disbursement trend of BB refinance scheme for green products**

	(million BDT)				
	FY13	FY14	FY15	FY16	FY17
Bio gas	113.6	212.8	83.3	84.8	46.6
Solar home system (SHS)	40.2	32.2	87.5	114.7	35.3
Solar irrigation pump	0.0	17.9	26.5	0.6	0.0
Solar assembly plant	122.7	49.6	148.1	16.3	0.0
Solar Mini-grid	0.0	0.0	0.0	10.0	0.0
Effluent treatment plant	57.4	10.0	0.0	58	179.6
HHK technology in brick kiln	172.2	59.0	47.0	177.8	10.0
Vermicompost	0.0	0.0	1.1	1.6	1.3
Green Industry	0.0	0.0	0.0	400.0	0.0
Safe Working Environment	0.0	0.0	0.0	35.7	55.3
Organic Manure from Slurry	0.0	0.0	0.0	0.2	0.1
Paper Waste Recycling	0.0	0.0	0.0	20.0	20.0
Energy Efficient Tech	0.0	0.0	0.0	0.0	0.6
<b>Total</b>	<b>506.1</b>	<b>381.5</b>	<b>393.5</b>	<b>919.7</b>	<b>348.8</b>

Source: Sustainable Finance Department, BB.

**Chart 6.1 Product wise Refinance Disbursement in FY17**



Source: Sustainable Finance Department, BB.

parts, Part A: USD 30.0 million or equivalent BDT is for conversion of Fixed Chimney Kiln (FCK) into Improved Zigzag Kiln and Part B: around 20.0 million or equivalent BDT for establishing new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln. BB has disbursed USD 16.2 million equivalent BDT till June 2017 to five PFIs against their financing for eight subprojects. The validity of the project is fixed up to December 2018.

### Box 6.2 Agent Banking in Bangladesh

Bangladesh Bank (BB) is exploring and promoting innovative financial inclusion policy initiatives to bring the financially excluded marginal populace under the umbrella of financial inclusion with a view to ensuring inclusive and sustainable development in the economy.

Agent banking, among various initiatives of BB, is an emerging financial inclusion tool that facilitates the non-privileged, underserved and poor segment of the population especially from geographically remote location to unhindered access to the tailor made products that meets their financial needs at affordable cost within their vicinity.

'Guidelines on Agent Banking for the Banks' has been issued in December 2013 and subsequently, a 'Guidance Note for Approved and Operation of Agent Banking Activities for banks' has been issued in June 2014 to Accelerate safe, secured and smooth alternative delivery channel of financial services for the un-banked people. Agents can offers a number of banking services, including deposit and withdrawal of cash, fund transfer, bill payment, payment of benefits and salaries and however, are limited to only cash transactions. Banks have been instructed to maintain the ratio of 2:1 for opening of rural and urban outlets to deepen inclusive growth.

As of June 2017, 17 banks have got approval for agent banking services and 13 banks started commercial operation. Number of agent outlets increased from 2,601 to 3,224 and number of accounts increased from 0.54 million to 0.87 million during the period of December 2016 to June 2017. The total balance of these accounts was BDT 3.81 billion in December 2016 and reached to BDT 6.51 billion in June 2017. As of June 2017, expatriates have remitted foreign currency equivalent BDT 8.90 billion through these accounts.

The bottom line of the agent banking services for the financial services provider is improved performance at reduced cost in service delivery when agents are utilized as platform to compel the inclusive growth. For the clients, benefits of agent banking services will result in higher standard of living with increased per capita income culminating to financial and economic growth and development of the country.

### Long term financing facility under Financial Sector Support Project (FSSP)

6.11 Bangladesh Bank (BB) has plan 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). This financing would be offered in US Dollars (USD) and provided to the Participating Financial Institutions (PFIs) authorized by BB to deal in foreign exchange for on lending/refinancing to

the private sector firms. An Environmental and Social Management Framework (ESMF) has been developed to ensure the sustainability of financing of this facility.

### Green Transformation Fund (GTF)

6.12 The latest step of BB in fostering sustainable finance is to create GTF. In February 2016, BB has announced its intention to create a new longer term refinancing window naming GTF of USD 200 million. 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. It is intended to facilitate access to financing in foreign exchange by all manufacturer-exporters in export oriented textiles & textile products and leather manufacturing sectors to import capital machinery and accessories for implementing environment-friendly initiatives. The initiatives include water use efficiency in wet processing; water conservation and waste management, resource efficiency, recycling, and renewable energy and energy efficiency, heat and temperature management, air ventilation and circulation efficiency and work environment improvement initiatives.

#### Refinance Scheme for Islamic Shariah based financing under “Renewable Energy and Environment Friendly Sectors”

6.13 In the banking sector, sustainable energy related development is taking place mainly in response to the initiatives undertaken by the Bangladesh Bank. To promote green financing, Bangladesh Bank has introduced two types of refinancing facility: (a) BB Refinance Scheme and (b) Refinance Scheme Funded by Sharia’h Based Banks and Financial Institutions (FIs). Bangladesh Bank introduced refinance Scheme under “Renewable Energy and Environment Friendly Sector” in 2013 for banks and non-bank financial institutions (NBFIs) with the vision to promote renewable energy and other green financing. Banks and non-bank financial institutions (NBFIs) may avail refinance facility against their finance in the specified sectors. Bangladesh Bank also introduced refinance scheme funded by excess liquidity of sharia’h based financial institutions to facilitate the refinance for sharia’h based banks and non-bank financial institutions (NBFIs) in 2014. This refinance scheme aims

**Table 6.6 Sectorwise Allocation of BB Disaster Management and Corporate Social Responsibility Fund in FY17**

Sectors	million BDT
Education	27.9
Health	7.0
Environment	0.5
Human resources development/capacity building	2.8
Financial inclusion/ women empowerment	7.5
Others	8.0
Total	53.7

Source: Sustainable Finance Department, BB.

to encourage the sharia’h based investors to be involved more in the renewable energy and environment friendly efforts, and strengthen the involvement of sharia’h based financing in this sector.

#### Islamic Refinance Fund

6.14 Islamic banks and non-bank financial institutions (NBFIs) hold more liquidity than they require as per Bangladesh Bank Regulations. Bangladesh Bank has opened Islamic Refinance Fund to utilize the excess liquidity to economic activities. This fund is available only for the Islamic banks and non-bank financial institutions (NBFIs) to invest in the SME and green finance sectors. The profits from the fund distributed among participating Islamic banks and non-bank financial institutions (NBFIs) based on their investment ratio on the fund.

#### Refinance Guideline

6.15 Bangladesh Bank has issued a guideline for Islamic banks and non-bank financial institutions (NBFIs) to refinance in “Renewable Energy and Environment Friendly Sector”. According to this guideline the interested Islamic banks and non-bank financial institutions (NBFIs) will have to sign separate participation agreement with the Sustainable Finance Department of Bangladesh Bank.

Participating Financial Institutions (PFIs) may invest 100 percent of their refinancing fund to the renewable energy and eco-friendly projects. The projects should be selected from the 50 green products time to time declared by Bangladesh Bank. The time frame for grace period and investment refund will also be set according to the directives of Bangladesh Bank. Bangladesh Bank has also set some conditions to the green financing under this scheme including that the classified investment of investors which must be less than 10 percent, investors should have capital adequacy stipulated by Bangladesh Bank and the policy of single party exposure limit must be ensured. Investors also take effective measures for risk management and prevent money laundering. If any Participating Financial Institution enjoys fund support from the refinance scheme by giving false information, the amount of fund provided will be revoked by debiting the current account of the PFI maintained in the Motijheel office of the Bangladesh Bank with profit doubling the prevailing rate in Mudaraba Saving Accounts.

### Participating Financial Institutions

6.16 Four Islamic banks have signed participation agreement with the Sustainable Finance Department of Bangladesh Bank up to June, 2017. They are EXIM Bank Limited, Shahjajal Islami Bank Limited, First Security Bank Limited and Al-Arafah Islami Bank Limited. Alongside, Islami Finance and Investment Limited is the only islamic non-bank financial institutions (INBFI) who signed the participation agreement with Bangladesh Bank.

### Present Status of Islamic Refinance Fund

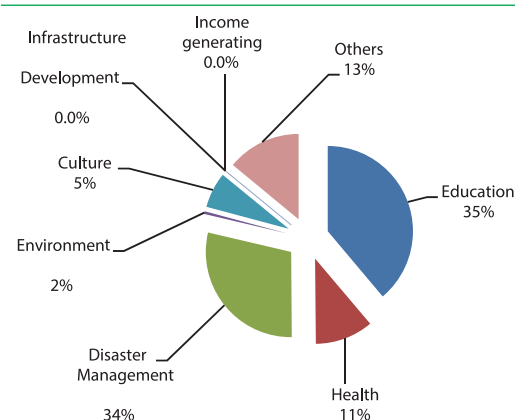
6.17 Bangladesh Bank has already disbursed BDT 103.0 million in “Safe working

**Table 6.7 CSR expenditure of banks and NBFIs**

Sectors	(million BDT)			
	Banks		NBFIs	
	FY17	Sectoral Share (percent)	FY17	Sectoral Share (percent)
Education	1915.7	35.4	7.20	22.8
Health	566.2	10.5	2.80	8.9
Humanitarian & disaster relief	1836.6	33.9	7.20	22.8
Environment	99.1	1.8	3.20	10.1
Cultural welfare	286.7	5.3	2.40	7.6
Infrastructural development	7.1	0.1	0.00	0.00
Income generating activities	1.9	0.00	0.7	2.2
Others	700.5	13.0	8.10	25.6
Total	5,413.8	100	31.60	100

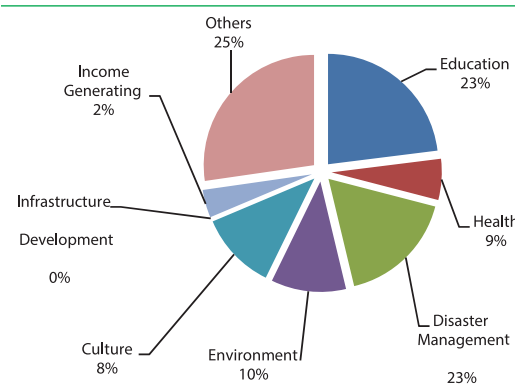
Source: Sustainable Finance Department, BB.

**Chart 6.2 Sector-wise CSR expenditure of Banks in FY17**



Source: Sustainable Finance Department, BB.

**Chart 6.3 Sector-wise CSR expenditure of NBFIs in FY17**



Source: Sustainable Finance Department, BB.



environment for factory” product from Islamic Refinance Fund under “Renewable Energy and Environment Friendly Sector” through Al-Arafah Islami Bank Ltd. and Islamic Finance & Investment Ltd. Total BDT 84.3 million has recovered and BDT 0.9 million distributed from profit to the PFIs under this scheme.

### Corporate Social Responsibility

6.18 On December 22, 2014 BB issued an indicative guideline for allocation and end use monitoring of CSR engagements 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's Own CSR Activities

6.19 BB has established its own “Bangladesh Bank Disaster Management and Social Responsibility Fund” by transferring BDT 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 BDT 100 million in 2015. BB has sanctioned BDT 53.7 million (contribution from BB profit and bank interest) in FY17 from the fund which was BDT 75.9 million in FY16. The fund allocated for different sectors during FY17 is shown in Table 6.6.

### CSR Activities of Banks and NBFIs

6.20 Total amount of CSR expenditure by Banks and NBFIs in FY17 stood at BDT 5.4 billion compared to the amount was BDT 5.6 billion in FY16. The sector-wise expenditure scenario of Banks and NBFIs are stated in Table 6.7.

**Table 6.8 Total number of NFAs as of June 2017**

	SCBs	DFIs	PCBs	FCBs	Total
Farmers	4694828	4042024	453212	0	9190054
Hardcore poor	1504316	770278	12585	0	2287179
Freedom fighters	196454	3034	1625	0	201113
Social Safety net allowance	3526159	892656	3091	0	4421906
Food & livelihood security	94528	1969	1285	0	97782
Poor rehabilitation under Religion Ministry	1105	0	172	0	1277
City corporation workers	9703	0	31	0	9734
RMG Workers	42889	178	187056	52	230143
Leather Industry Workers	71	0	3996	167	4234
National Service Program	18227	11571	3616	0	33414
Small Life insurance Program	90652	5393	2887	0	98932
Physically challenged	125707	34384	85	0	160176
Others	302641	28122	7737	0	338500
Total	10607280	5789609	677378	219	17074454

Source: Financial Inclusion Department, BB.

**Table 6.9 Total balance of NFAs as of June 2017**

	SCBs	DFIs	PCBs	FCBs	Total
Farmers	0.66	0.81	1.16	0.0	2.64
Hardcore poor	0.34	2.34	0.02	0.0	2.70
Freedom fighters	1.61	0.0	0.05	0.0	1.66
Social Safety net allowance	1.19	2.34	0.0	0.0	3.53
Food & livelihood security	0.01	0.0	0.0	0.0	0.02
Poor rehabilitation under Religion Ministry	0.0	0.0	0.0	0.0	0
City corporation workers	0.0	0.0	0.0	0.0	0.01
RMG Workers	0.03	0.0	0.88	0.0	1.03
Leather Industry Workers	0.0	0.0	0.02	0.0	0.03
National Service Program	0.22	0.81	0.11	0.0	1.12
Small Life insurance Program	0.05	0.0	0.0	0.0	0.07
Physically challenged	0.08	0.06	0.0	0.0	0.15
Others	0.11	0.02	0.01	0.0	0.14
Total	4.32	6.40	2.26	0.0	13.11

Source: Financial Inclusion Department, BB.

6.21 Banks continued to maintain major share in education, health and disaster management which recorded to 35.4, 10.5 and 33.9 percent respectively of their total CSR activities. Expenditure on income generating activities, environment and infrastructural development in underprivileged area were 5.3, 1.8, and 0.1 percent respectively. As income generating activities for poor is relatively new concept, banks expenditure in this area was not significant. Sectorwise share of expenditure in CSR programs of Banks in FY17 are shown in Chart 6.2.

6.22 NBFIs reported CSR expenditure of BDT 31.6 million in FY17. The major share of CSR expenditure by NBFIs went to others sector (25.6 percent) in FY17. However, they spent 22.8, 10.1 and 22.8 percent of their total CSR expenditure in education, Environment and disaster management sectors respectively during this period. Health & Cultural affairs got less priority as they spent on these sectors 8.9 and 7.6 percent only in FY17. NBFIs did not spend for infrastructural development in underprivileged area but in income generating activities for poor only 2.2 percent in FY17. Sectoral shares of CSR expenditure by NBFIs in FY17 are stated in Chart 6.3.

### Financial Inclusion Activities

6.23 Financial inclusion emerges as one of the most effective tools among policy makers around the globe to ensure inclusive and sustainable economic development. Considering the importance of financial inclusion, 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.

**Table 6.10 Number of School Banking Accounts and Balance as of June 2017**

Type of banks	Number of accounts	Balance (billion BDT)
SCBs	408100	1.60
DFIs	130768	0.23
PCBs	793599	9.36
FCBs	1871	0.10
Total	1334338	11.28

Source: Financial Inclusion Department, BB.

### No-Frill Accounts (NFAs) for Farmers and under-privileged group of the society

6.24 To ensure banking services for the poor marginal farmers, BB instructed the SCBs and DFIs to open NFAs for farmers in January 2010. Up to FY17, BB has gradually issued instructions to these banks for opening nine categories of NFAs other than farmer's account. BB has also instructed all the banks to open NFAs for RMG workers, workers of small footwear & leather product industries, and physically challenged persons.

6.25 The number of NFAs opened by the banks have been increased at the end of June 2017 compared to June 2016, due to continuous initiatives from the central bank. The number of farmers' accounts reached at 9.2 million by the end of June 2017 which was 8.9 million in previous year. As of end June 2016, sector-wise distribution of NFAs shows that the beneficiaries under social safety net programme opened 9190054 farmer's account, followed by hardcore poor (2287179 accounts), RMG workers (230143 accounts), BDT 10 account (338500 accounts) freedom fighters (201113 accounts), physically challenged persons (160176 accounts), small life insurance policy holder BDT 100 account (98932 accounts), food & livelihood security (97782 accounts), national service programme (33414 accounts), city corporation cleaning workers (9734 accounts)

and distressed rehabilitation (1277 accounts). Thus, total number of all categories of accounts by the banks reached at 17074454. Total balance of NFAs for farmers reached at BDT 2.6 billion as of end June 2017. On the other hand, total balance of all categories of NFAs reached at BDT 13.1 billion. Total number of NFAs and balance for farmers and non-farmers as of end June 2017 are reported in Table 6.8 and 6.9 respectively.

### School Banking

6.26 In order to broaden and deepen the base of financial inclusion through including the students under age of 18, BB has advised the banks to introduce school banking activities in 2010. Since then, banks have started to provide banking services to students through savings account and deposit scheme. The main objective of school banking is to promote savings behaviour among school goers and to introduce them with banking literacy and modern banking technology. To further extend the school banking services of the banks, BB has issued a comprehensive guideline in October 2013. Under this guideline, any school student aged 6-18 years can open school bank account through parents or legal guardians by depositing minimum BDT 100. Up to June 2017, total balance of school banking reached at BDT 11.3 billion against 1.3 million accounts. The updated status as of end June 2017 of school banking is reported in Table 6.10.

### Banking for Working/Street Children

6.27 BB advised all the banks on 9 March 2014 to open custodial account with NGO with BDT 10 as minimum opening balance and without any service charge/fee to bring the working/street children under institutional

**Table 6.11 Number of Working/Street Children Accounts and Balance as of June 2017**

Name of banks	Name of listed NGOs	Number of accounts	Total (Lac BDT)
Sonali Bank Ltd.	Uddipon	4	0.04
Janata Bank Ltd.	EBCR Project	150	0.75
Agrani Bank Ltd.	Uddipon	319	0.41
Rupali Bank Ltd.	Manab Sheba & Samajik Unnayan Sangostha, SUF	1021	9.65
Bangladesh Development Bank Ltd.	BRAC	211	0.23
Bangladesh Krishi Bank	Uddipon	163	0.30
Bank Asia Ltd.	Oporajeo Bangladesh, Uddipon BRAC	191	2.39
Mercantile Bank Ltd.	Oporajeo Bangladesh, Aid Bangladesh, Manab Sheba & Samajik Unnayan Sangostha	247	1.66
Mutual Trust Bank Ltd.	ASD	38	0.01
National Bank Ltd.	CPD	19	0.13
Social Islami Bank Ltd.	Shakti Bidyaloy	685	3.48
One Bank Ltd.	Prodipon, Shajida Foundation	227	1.78
Pubali Bank Ltd.	Oporajeo Bangladesh, BRAC, Nari Moitri	546	3.00
The City Bank Ltd.	Prodipon	154	1.30
Trust Bank Ltd.	Manab Sheba & Samajik Unnayan Sangostha	280	1.00
Al-Arafah Islami Bank Ltd.	ASD	77	0.31
Uttara Bank Ltd.	Poriborton	33	0.04
<b>Total</b>		<b>4365</b>	<b>26.48</b>

Source: Financial Inclusion Department, BB.

financial support. These initiatives helps the street children to develop their savings habit and eventually step ahead towards better future. Concerned NGOs are fully responsible for the operation of the children accounts and the well-being of the account holders. Up to June 2016, 16 banks signed bi-lateral agreement with different registered NGOs for offering this services. Up to June 2017, the number of accounts reached at 4365 with balance of BDT 2.6 million. The status of working/street children programme as of end June 2017 is reported in Table 6.11.

### Agent Banking

6.28 BB issued Guidelines on Agent Banking in December 2013 to provide a safe and affordable banking services for the non-privileged, underserved and poor segment of the population especially from geographically remote location with a view to accelerate financial inclusion. As of June 2017, 17 banks have got approval for agent banking services and 13 banks started operation. Number of agent outlets increased from 2601 to 3224 and number of accounts increased from 0.54 million to 0.87 million till June 2017. The total balance of these accounts stood at BDT 6.5 billion in June 2017 compared to BDT 3.8 billion in December 2016. As of June 2017, expatriates had also remitted foreign currency equivalent to BDT 8.9 billion through these accounts.

### BB Refinance Scheme for BDT 10 Account Holders

6.29 With a view to bringing the financially deprived grass root population under formal financial services and to gearing up the banking activities of BDT 10 accounts, BB constructed a revolving refinance fund of BDT 2.0 billion in May 2014. The Highest limit of refinance facility is BDT 50.0 thousand under this scheme and participating banks provide interest subsidy under certain conditions. Up to June 2017, approximately BDT 538.2 million has been disbursed under this scheme. Presently, 39 commercial banks have signed participation agreement with BB to disburse loans under this scheme.

### NRB Database

6.30 In order to introduce a dynamic, interactive, and online database for the Non-resident Bangladeshi (NRB) remitters, BB has

taken an initiative to collect the information of NRBs as their remittance has significant role to the economic development of Bangladesh. Gross remittance earnings decreased by 14.5 percent to USD 12.77 billion in FY17 from USD 14.93 billion in FY16. 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 as well as NRBs themselves. This database can facilitate and uphold investment information to NRBs, create awareness on proper remittance channel and method, and can be an important financial or economic avenues of government in which NRBs may participate. In addition, this database will promote to formulate policies of creating a Diaspora Network in order to use their skills and resources for the economic development of the home country. They can submit complaint, query or feedback through this database. Up to June 2017, 248 NRBs have registered in the NRB Database. At present, BB alongwith other stakeholders are taking initiatives to boost inward remittances through regular banking channel. BB has introduced “Bangladesh Bank Remittance Award” since 2013 to motivate and encourage the expatriates for sending more remittances through regular banking channels. In 2017, BB awarded 21 individuals as highest remitters in both skilled and unskilled categories, 5 highest bond investors, 4 NRB owned exchange houses as highest remitters and 5 highest remittance earning banks for the year 2016.

### Financial Education

6.31 BB has taken various initiatives to bring the larger portion of financially excluded population under formal financial services. BB has developed a web-link titled “Financial

Literacy” in BB webpage to undertake diverse financial education initiatives since FY14. These include creation of a dynamic and interactive web portal, already prepared 2 television commercials and 10 radio broadcasting commercials, and awareness creating press layouts. This web-link contains story books, games, videos, text, a financial calculator for computing information on different financial services, products and delivery channels. BB is also working with the Ministry of Education to pace the financial literacy programme (FLE) in the school and college levels. To enhance financial literacy among mass people, BB instructed commercial Banks to launch slogans, jingles, pictures, symbols about financial literacy that may be printed on ATMs, billboards, opposite side of check books, deposit slips, and various publications of banks.

#### **Alliance for Financial Inclusion (AFI) and Maya Declaration**

6.32 Alliance for Financial Inclusion (AFI) is a worldwide network of financial inclusion policy makers. AFI’s core mission is to empowering policymakers to increase access to quality financial services for the poorest populations. Presently the number of member institutions of AFI is 113 including central banks and financial regulatory institutions from 94 countries. Bangladesh Bank is a principal member

institution of AFI since June 2009. Governor of BB is one of the esteemed members of the AFI Board of Directors. Ministry of Finance (MoF) and Microcredit Regulatory Authority (MRA) are the associate members of AFI.

6.33 Maya Declaration, an initiative to unlock the economic and social potential of the unbanked population through greater financial inclusion, was launched in 2011 at the AFI Global Policy Forum (GPF) in Riveria Maya, Mexico. BB signed the Maya Declaration on behalf of Bangladesh in September 2014 comprising 32 commitments on financial inclusion. Out of these, 16 have been achieved, so far, the rest are in well progress and some new commitments have been included this year. BB is broadly implementing the National Financial Inclusion Strategies (NFIS), guiding banks and financial institutions to launch appropriate financial products for the excluded people prioritizing youths, MSME sector, and women for greater financial inclusion. BB, MoF, and MRA are working together to ensure countrywide financial inclusion through the Maya Declaration commitments. Due to significant progress in financial inclusion, BB has been awarded with the AFI Policy Award in 2014 and AFI Member Zone Award in 2015. BB along with AFI is going to organize a Joint Learning Program (JLP) at Dhaka in December 2017.