

Sustainable Banking

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

Green Banking

6.2 Bangladesh Bank (BB) has been proactively guiding the banks and NBFIs for diverse sustainable banking initiatives since 2011. Regarding this green banking initiatives of BB broadly categorized 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 for environmental management.

Policy Initiatives

6.3 Environmental Risk Management Guidelines for Banks and financial Institutions (FIs) was issued vide BRPD Circular No.01/2011 to assess environmental risk in their credit and Policy Guidelines for Green Banking for Banks vide BRPD Circular 02/2011. In 2012, Bangladesh Bank introduced a uniform reporting format for reporting green banking activities in a structured manner for banks. In 2013, Policy Guidelines for Green Banking was also issued (GBCSRD Circular No. 04/2013 and GBCSRD Circular Letter No. 05/2013) to the Financial Institutions (FIs) and the banks scheduled in 2013 where they were brought under the structured reporting system as well. To expedite the ongoing initiatives of banks and FIs at faster pace for sustaining the environment compatible to climate change risk, minimum target of direct green finance is set at 5% of the total funded loan disbursement/ investment from January 2016 onwards 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 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 in 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

Table-6.1 Direct Green Finance in FY18

(In million BDT)

Types of Bank/FI	Category of Green Finance								Total
	Renewable Energy	Energy Efficiency	Alternative Energy	Waste Management	Recycling & Recyclable Product	Green Brick Manufacturing	Green Establishment	Misc.	
SCBs (06)	25.5	0.0	0.0	133.2	271.8	821.7	280.8	282.2	1815.2
DFIs (02)	7.7	0.3	0.0	0.0	0.0	36.0	0.0	1.5	45.4
PCBs (40)	2605.9	3156.0	9.0	34914.6	3471.3	9571.4	10331.0	1845.1	65904.3
FCBs (09)	192.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	192.6
Bank's Total	2,831.7	3,156.3	9.0	35,047.8	3,743.1	10,429.2	10,611.7	2,128.8	67,957.5
FIs (34)	523.9	1,080.6	0.0	308.8	124.1	560.1	658.3	133.8	3,389.6
Grand Total	3,355.6	4,236.9	9.0	35,356.6	3,867.2	10,989.2	11,270.0	2,262.6	71,347.2
% of Total Green Finance	4.7%	5.9%	0.0%	49.6%	5.4%	15.4%	15.8%	3.2%	100.0%

Source: Sustainable Finance Department, Bangladesh Bank

Circular No. 02/2017 which was enforceable from January 01, 2018 replacing the Guidelines on ERM to all extent. A comprehensive list of product/initiatives of Green Finance for banks and FIs has been circulated in September 2017 (SFD Circular No. 04/2017). To monitor green banking policy & other regulations and to ensure the quality & uniformity of data provided by Banks & FIs, a new uniform reporting format of Quarterly Review Report on Green Banking Activities has been circulated for Banks & FIs in January 2018 (SFD Circular No. 01/2018).

Banks and FIs were 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 FIs shall 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).

Green Finance

6.4 A total amount of BDT 71.35 billion has been disbursed directly as green finance during FY18 by 31 Banks out of 57 and 8 FIs out of 33. Product-wise green finance by banks & FIs are given in Table 6.1. Bank/FIs Sector-wise contribution of the total green finance shows that the PCBs played the main role (92.37 percent) followed by NBFIs (4.75 percent), SOCBs (2.54 percent) and Share of product-wise green finance demonstrated in Chart 6.1.

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 & Social Risk Rating (ESRR) is obligatory above the threshold as mentioned in guidelines on ESRM for banks and NBFIs. All banks have conducted environmental & Social risk rating in FY18 (Excluding Shimanto Bank Ltd). The number of

projects rated by Environmental & Social Due Diligence (ESDD) during the year is 77,428. Total amount of BDT 2,821.40 billion disbursed in 66,930 rated projects in FY18 (Table 6.2).

Climate Risk Fund

6.6 Total amount of utilization from climate risk fund by banks and FIs were BDT 1,518.25 and 1.82 million respectively in FY18 (Table 6.3).

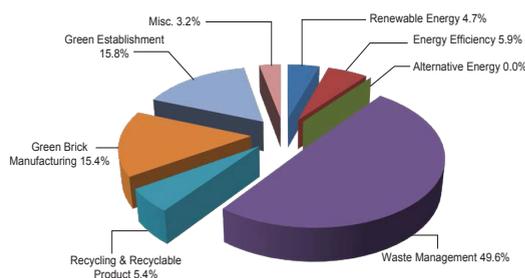
Online Banking and Energy Efficiency

6.7 57 banks (out of 57 banks) have online branches at the end of FY18. Online branches were 75.10 percent of total branches at the end of FY17 which was 87.35 percent at end of FY18. Green banking policy has pursued the banks to establish branches powered by solar energy. The number of branches powered by solar energy was 500 at the end of FY17 and the number stood at 546 at the end of FY18.

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 been brought under a 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 at all time. Most of

Chart 6.1 Share of Product-wise Green Finance in FY18



Source: Sustainable Finance Department, BB.

Table 6.2 Environmental Risk Rating of banks and NBFIs in FY18

Types of banks	No. of projects rated	No. of rated projects financed	Amount disbursed in rated projects (In million BDT)
SCBs	5,629	4,876	49,778.36
DFIs	2	8	83.42
PCBs	66,850	57,753	2,541,599.98
FCBs	2,508	1,842	143,101.88
Bank's Total	74,989	64,479	2,734,563.65
NBFIs	2,439	2,451	86,833.13
Grand Total	77,428	66,930	2,821,396.78

Source: Sustainable Finance Department, BB.

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 also has started 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 one till FY18. Participatory Banks/Financial Institutions are allowed to charge maximum interest rate of 8-9 Percent on financing in green products/initiatives under the scheme. However, due to the consideration of Government's priority to 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' under the refinance scheme. The cumulative amount refinanced under the scheme up to June, 2018 stood at BDT 3797.25 million. In FY18, total disbursement under the BB's refinance increased by 91 percent to BDT 665.47 million which was BDT 348.80 million in FY17. It could be noted here that Green Industry is getting popular in Bangladesh and three Green Industry projects are financed by PFIs in FY18 under the scheme. The disbursement trend under this scheme and share of product wise disbursement from FY14 to FY18 is given Table 6.4 and chart 6.2 respectively.

6.10 ADB financed 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 resulting in reduced Green House Gas (GHG) and Suspended

Table 6.3 Utilisation of Green Fund in FY18
(in million BDT)

Type of Bank/ FIs	Green Finance	Climate Risk Fund	Total
SCBs	1,815.2	2.5	1,817.7
DFIs	45.4	0.0	45.4
PCBs	65,904.3	1,471.3	67,375.6
FCBs	192.6	44.4	237.1
Bank's Total	67,957.5	1,518.3	69,475.8
FIs	3,389.6	1.8	3,391.5
Grand Total	71,347.2	1,520.1	72,867.2

Source: Sustainable Finance Department, BB.

Particulate Matter (SPM). In this revolving relending disbursement Process, total amount of loan from ADB is around USD 50.00 million or equivalent BDT 400 Crore. The facility has two parts-Part A: USD 30.00 million or equivalent BDT is for conversion of Fixed Chimney Kiln (FCK) into Improved Zig-zag Kiln and Part B: around 20.00 million or equivalent BDT for establishing new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln. Bangladesh Bank has disbursed USD 22.75 million or equivalent BDT 177.39 Crore till June, 2018 to eight Participatory Financial Institutions (PFIs) against their financing in eleven sub-projects. The duration of the project is extended up to December 31, 2018.

Long Term Financing Facility (LTFF) under Financial Sector Support Project (FSSP)

6.11 BB intends to provide long term financing for private sector firms, mainly midsize manufacturing firms under the Financial Sector Support Project (FSSP) financed by the International Development Association (IDA). The main objective of this facility is to provide long term financing for private sector firms. The financing facility would be provided with a view to facilitate the development of economies and to promote socially and environmentally sustainable development outcomes. The

PFIs will be responsible to ensure their borrowers to identify and mitigate the potential environmental and social risk associated with borrowers' proposed activities. The financing will be available to exporters, small and medium scale enterprises and other private sector firms (expected to be mainly manufacturing units) in the country. Estimated total fund of LTFF is USD 292.50 million (BDT 229,612.50), of which BB's contribution is USD 38.50 million (BDT 30,222.50) and IDA's contribution is USD 254.00 million (BDT 199,390.00) in FY18. This Financing would be offered for 3 to 10 years term in US dollar and provided to the PFIs authorized by BB to deal in foreign exchange on lending/refinancing to the private sector firms. So far total 31 PFIs have signed the Participatory agreement with Bangladesh Bank for this facility. This facility will be available for exporters, small and medium scale enterprises and other private sector firms in the country both on-lending and re-finance well as will extend financing towards the following areas:

- Purchase of capital machineries and equipment for up-gradation (including improvement in health and safety compliance), expansion or for newly set up manufacturing industries.
- Relocation of factories to designated industrial zones (other than EPZs/special zones);
- Purchase of ocean-going vessels and specialized transport vehicles supporting transportation of goods manufactured in the country.

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

Table 6.4 Disbursement Trend in BB Refinance Scheme for Green Products

Product	(In million BDT)				
	FY14	FY15	FY16	FY17	FY18
Bio gas	212.8	83.3	84.8	46.6	10.5
Solar home system (SHS)	32.2	87.5	114.7	35.3	0.0
Solar irrigation pump	17.9	26.5	0.6	0.0	0.0
Solar assembly plant	49.6	148.1	16.3	0.0	0.0
Solar Mini-grid	0.0	0.0	10.0	0.0	0.0
Effluent treatment plant	10.0	0.0	58	179.6	60.0
HHK technology in brick kiln	59.0	47.0	177.8	10.0	0.0
Vermicompost	0.0	1.1	1.6	1.3	0.0
Green Industry	0.0	0.0	400.0	0.0	500.0
Safe Working Environment	0.0	0.0	35.7	55.3	82.0
Organic Manure from Slurry	0.0	0.0	0.2	0.1	0.0
Paper Waste Recycling	0.0	0.0	20.0	20.0	0.0
Energy Efficient Tech	0.0	0.0	0.0	0.6	13.0
Total	381.5	393.5	919.7	348.8	665.5

Source: Sustainable Finance Department, BB.

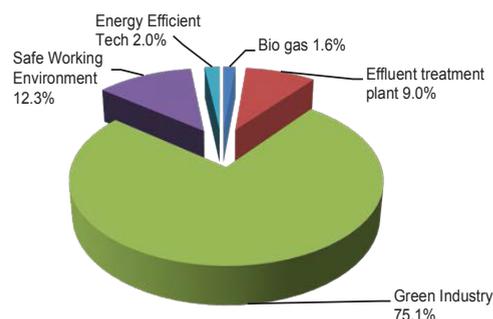
Green Transformation Fund (GTF)

6.12 In February 2016, BB has announced its intention to create a new longer term refinancing window naming Green Transformation Fund (GTF) of 200 million USD. With a view to fostering sustainable finance the fund will be used to ensure sustainable growth in export oriented textile leather and jute 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 management, Waste management, Resource efficiency and recycling, Renewable energy and Energy efficiency, Heat and temperature management, Air ventilation and circulation efficiency and Work environment improvement initiatives (FE Circular No. 02/2016). The disbursement from GTF up to FY18 is USD 130,477.00 in 2 projects.

Refinance Scheme for Islamic Banks and Financial Institutions for Investment in Green Products/Initiatives

6.13 In September 2014, Bangladesh Bank had introduced an “Islamic Refinance Fund” with the surplus liquidity of SLR of shariah based Islamic banks. To encourage the shariah based banks and non-bank financial institutions (NBFIs) to more involve in the renewable energy and environment friendly efforts Bangladesh Bank then launched a refinance scheme for Islamic banks and non-bank financial institutions (NBFIs) under renewable energy and eco-friendly sectors funded by “Islamic Refinance Fund” vide GBCSRD circular no.06 dated October 12, 2014. Over time, considering the modification in the country’s economic structural conditions, advanced technology, gradually raising demand for the eco-friendly products/initiatives and to accelerate the implementation of government’s different development plans (Perspective Plan of Bangladesh: 2010-2021, National Sustainable Development Strategy 2010-2021, 7th Five Year Plan : 2016-2020, Sustainable Development Goals) recently Bangladesh Bank has issued a integrated and comprehensive “master circular” vide SFD Circular No.02, dated April 05, 2018 by the revised and incorporated 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 the SFD Circular No.02 (master circular) existing scheme will be named as “Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives.” This fund is available only for the Islamic banks and non-bank financial institutions (NBFIs). BB has enhanced the product range under this scheme from 50 to 51

Chart 6.2 Product-wise Refinance Disbursement in FY18



Source: Sustainable Finance Department, BB.

and segregated these products into 8 categories which include renewable energy, energy-efficient and energy-savings technology, alternative energy, waste management, recycling & recyclable product, environment friendly brick production, environment friendly installation and miscellaneous.

6.14 According to the master circular (SFD Circular No.02: “Refinance Scheme for Islamic Banks & Financial Institutions for Investment in Green Products/Initiatives.”) Mudaraba Savings Rate or Bank Rate which is lower will be considered as base rate for determining the profit rate at the beneficiary end. PFIs may impose/charge margin over base rate on the basis of investment tenure of the selective project to determine the actual profit rate (Mudaraba Savings Rate + Margin) at the beneficiary end for their direct financing to green products/initiatives which will be highest 8-9 percent. But in case of “Solar Irrigation Pumping System” the highest profit margin must be 2 percent for direct financing. Only term investment will be considered for refinance facility under this scheme Consultancy Costs, Repair/ Maintenance Expenses and Working Capital related Costs shall not be considered under the refinance scheme. Bangladesh

Bank will realize profit at Mudaraba Savings Rate or Bank Rate (currently 5 percent) which will be lower at the time of disbursement on refinanced investment amount. Profits of the refinance amount will be distributed among the PFI based on their investment ratio on the fund. Profit will be credited on the “Current/Principal Account” of the PFI maintained in the Motijheel office of the Bangladesh Bank. Bangladesh Bank will not receive any profit or any service/operational charge for operating the “Islamic Refinance Fund”.

6.15 PFIs will have to repay the refinanced fund with the profits quarterly. At the end of each year PFIs will be re-refinanced the outstanding balance of the selective project maintained at their beneficiary end. The PFIs, however, will be able to re-refinance till their investment period. The cumulative amount refinanced under the scheme up to June 2018 stood at BDT 278.97 million which was BDT 103.01 million at June 2017. Up to June 2018 Bangladesh Bank has collected BDT 2.64 million profit under this scheme which was BDT 0.93 million at the end of June 2017. Collected profit is credited to the current account of the invested banks that is maintaining with Bangladesh Bank. Total disbursement during FY18 was BDT 175.96 million and total profit collected during this period was BDT 1.71 million under refinance scheme for Islamic Banks & Financial Institutions for investment in Green Products/Initiatives.

Corporate Social Responsibility

6.16 On December 22, 2014 BB issued indicative guidelines 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

Table 6.5 CSR Expenditure of Banks and NBFIs in FY18

Sectors	(In million BDT)			
	Banks		NBFIs	
	Aomount	Sectoral Share (percent)	Aomount	Sectoral Share (percent)
Education	3482.6	33.3	8.3	19.6
Health	443.0	4.2	6.0	14.2
Humanitarian & disaster relief	4821.7	46.1	9.3	22.0
Environment	78.4	0.8	2.9	6.9
Cultural welfare	294.6	2.8	6.3	14.9
Infrastructural development	18.2	0.2	2.2	5.2
Income generating activities	9.0	0.1	0.7	1.7
Others	1301.5	12.5	6.6	15.6
Total	10449.0	100.0	42.3	100.0

Source: Sustainable Finance Department, BB.

and end use monitoring process of CSR expenditures and activities. Besides on June 10, 2015 BB issued GBCSRD Circular Letter No. 06 for Reporting CSR activities undertaken by Banks and Financial Institutions.

CSR Activities of Banks and NBFIs

6.17 Total amount of CSR expenditure by Banks and NBFIs in FY18 was BDT 10,491.30 million while the amount was BDT 5,445.4 million in FY17, the sector-wise expenditure scenario of Banks and NBFIs are stated in Table 6.5. Banks contributed major share in humanitarian and disaster relief, education & others contributed to 46.1, 33.4 and 12.5 percent respectively of the total CSR activities. Expenditure on health, cultural welfare and environment in underprivileged area were 4.2, 2.8 and 0.8 percent respectively. Besides, only 0.2 percent of total CSR expenditure was made under infrastructural development. As income generating activities for the poor, banks expenditure in this area was insignificant. Share of expenditure in CSR programs of banks in FY18 are shown in Chart-6.3.

6.18 NBFIs reported direct CSR expenditure of BDT 42.3 million in FY18. The major

share of CSR expenditure by NBFIs went to humanitarian and disaster relief (22.0 percent) in FY18. However, they spent 19.6, 15.4, 14.9 and 14.2 percent of their total CSR expenditure in education, others, cultural welfare and health sectors respectively during the time period. Environment & infrastructural development in underprivileged area got less priority as they spent on these sectors 6.9 and 5.2 percent only in FY18. NBFIs spend on income generating activities for poor only 1.7 percent in FY18. Sectoral shares of CSR expenditure by NBFIs in FY18 are stated in Chart-6.4

BB's Own CSR Activities

6.19 BB has established “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. with a view to developing the backward sectors of Bangladesh and ensuring her sustainable development. Later the fund was extended to BDT 100 million in FY15. BB has sanctioned BDT 45.92 million in FY18 which was BDT 53.74 million (contribution from BB's profit and bank interest) in FY17 from the fund. The sector wise allocation in FY18 is reported in Table 6.6.

Financial Inclusion Activities

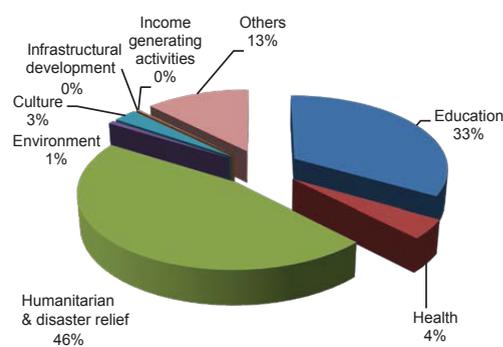
6.20 Financial inclusion emerges as one of the most effective tools among policy makers around the globe to ensure inclusive and sustainable economic development. Realizing the importance of financial inclusion, BB has been exploring and promoting innovative and successful policy initiatives to bring the financially

Table 6.6 Sector-wise Expenditure of BB's CSR Fund in FY18

Sectors	Amount (In million BDT)
Education	24.17
Health	6.75
Humanitarian resources development/capacity building	13.0
Others	2.0
Total	45.92

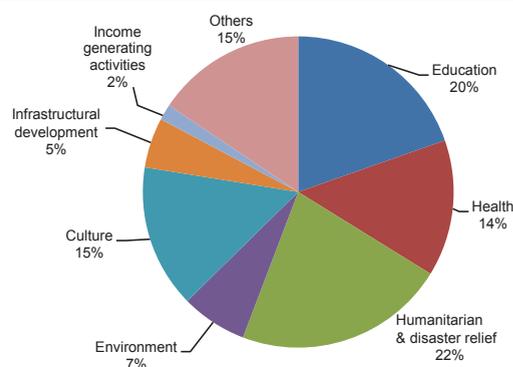
Source: Sustainable Finance Department, BB.

Chart 6.3 Share of Sector-Wise CSR Expenditure of Banks in FY18



Source: Sustainable Finance Department, BB.

Chart 6.4 Share of Sector-Wise CSR Expenditure of NBFIs in FY18



Source: Sustainable Finance Department, BB.

excluded people under the umbrella of financial inclusion. It has been working rigorously to ensure formal banking services to the poor and the under-privileged portion of the society through low cost digital financial services.

No Frill Accounts (NFAs) for Farmers and Under-privileged Group of the Society

6.21 To ensure banking services for the poor marginal farmers, BB instructed the SCBs and DFIs to open No-Frill Accounts (NFAs) for farmers in January 2010. BB has gradually issued instructions for opening different categories of NFAs other than farmers. BB also provided instruction to all banks to open NFAs for readymade garment workers and workers of small footwear & leather product industries. Since FY15, all banks are instructed to open NFAs for physically challenged persons.

6.22 Table 6.7 presents the number of NFAs opened by SCBs, DFIs, PCBs, and FCBs. Due to continuous initiatives from BB, the number of farmer's accounts reached to 9.32 million at the end of June 2018. Other than farmer's accounts, accounts opened by the hardcore poor, freedom fighters, and accounts under social safety net program increased significantly and reached at 2.48 million, 0.20 million, and 4.70 million respectively. Including all categories of NFAs, total number of accounts reached to 17.88 million. Table 6.8 shows the total balance of NFAs as on June 2018. Total balance of NFAs for farmers reaches at BDT 2.97 billion, while the balance of all categories of account reached at BDT 16.09 billion.

School Banking

6.23 As a part of financial inclusion drive, BB introduced school banking facilities in November 2010 and issued 'Guidelines for School Banking' in 2013. According to these guidelines, any student up to 18 years age can open school banking account through parents or legal guardian by depositing minimum BDT 100. Till June 2018, number of school banking accounts reached at 1539836 with a balance of BDT 14.19 billion (Table 6.9).

Table 6.7 Total Number of NFAs (as of June 2018)

	SCBs	DFIs	PCBs	FCBs	Total
Farmers	4768249	4066279	483029	0	9317557
Hardcore poor	1606584	857013	20235	0	2483832
Freedom fighters	195459	3039	2752	0	201250
Social Safety net allowance	3788224	911409	833	0	4700466
Food & livelihood security	59216	1969	28863	0	90048
Poor rehabilitation under Religion Ministry	1105	0	317	0	1422
City corporation workers	9703	0	39	0	9742
RMG Workers	51055	178	223472	51	274756
Leather Industry Workers	71	0	4058	76	4205
National Service Program	19357	11573	9105	0	40035
Small Life insurance Program	96735	6602	8177	0	111514
Physically challenged	143225	39375	94	0	182694
Others	408927	35751	18919	0	463597
Total	11147910	5933188	799893	127	17881118

Source: Financial Inclusion Department, BB.

Table 6.8 Total Balance of NFAs (as of June 2018)

	SCBs	DFIs	PCBs	FCBs	Total
Farmers	0.72	0.86	1.39	0.00	2.97
Hardcore poor	0.43	2.36	0.04	0.00	2.83
Freedom fighters	2.05	0.01	0.06	0.00	2.12
Social Safety net allowance	2.04	3.12	0.00	0.00	5.17
Food & livelihood security	0.01	0.00	0.04	0.00	0.05
Poor rehabilitation under Religion Ministry	0.00	0.00	0.00	0.00	0.00
City corporation workers	0.01	0.00	0.00	0.00	0.01
RMG Workers	0.03	0.00	1.24	0.00	1.28
Leather Industry Workers	0.00	0.00	0.02	0.00	0.02
National Service Program	0.08	0.81	0.06	0.00	0.95
Small Life insurance Program	0.13	0.02	0.01	0.00	0.16
Physically challenged	0.11	0.09	0.00	0.00	0.20
Others	0.25	0.03	0.07	0.00	0.36
Total	5.86	7.31	2.93	0.00	16.10

Source: Financial Inclusion Department, BB.

Banking for Working/Street Children

6.24 BB relaxed the regulations for opening BDT 10 special accounts for the street and working children in 2014 to make them financially independent, safeguard their hard earned money, and secure their future. Up to June 2018, 19 banks signed bi-lateral agreement with different registered NGOs for offering the services. Concerned NGO is fully responsible for the operation of the accounts and the wellbeing of the account holder. Table 6.10 indicates that 4,684 accounts have been opened with a balance of BDT 3.39 million as on June 2018.

Agent Banking

6.25 Agent banking, among various initiatives of BB, is an emerging financial inclusion tool that provides unhindered access to the tailor-made financial products to the unprivileged, underserved and poor segment of the population especially from geographically remote locations which facilitates meeting their financial needs at affordable cost within their vicinity. 'Guidelines on Agent Banking' was issued in December 2013 and subsequently, a 'Guidance Note for Approved and Operation of Agent Banking Activities for Banks' was issued in June 2014 to accelerate safe, secured and smooth alternative delivery channel of financial services for the unbanked people. Finally, 'Prudential Guidelines for Agent Banking Operation in Bangladesh' was issued in 2017. Agents can offer a number of banking services, including cash deposit and withdrawal, fund transfer, utility bill payment and disbursement of salaries. To deepen inclusive growth, banks are instructed to maintain 2:1 ratio for opening rural and urban outlets. As on June 2018, 20 banks have got approval for agent banking

Table 6.9 School Banking Accounts and Balance (as of June 2018)

Type of banks	Number of accounts	Balance (In billion BDT)
SCBs	436001	1.80
DFIs	127957	0.26
PCBs	973618	12.00
FCBs	2260	0.14
Total	1539836	14.20

Source: Financial Inclusion Department, BB.

Table 6.10 Working/Street Children Accounts and Balance (as of June 2018)

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	0.8
Agrani Bank Ltd.	Uddipon	341	0.6
Rupali Bank Ltd.	Manab Sheba & Samajik Unnayan Sangostha, SUF	973	10.8
Bangladesh Development Bank Ltd.	BRAC	80	0.1
Bangladesh Krishi Bank	Uddipon	163	0.4
Bank Asia Ltd.	Oporajeo Bangladesh, Uddipon BRAC	191	2.1
Mercantile Bank Ltd.	Oporajeo Bangladesh, Aid Bangladesh, Manab Sheba & Samajik Unnayan Sangostha	247	1.6
Mutual Trust Bank Ltd.	ASD	43	0.01
National Bank Ltd.	CPD	19	0.1
Social Islami Bank Ltd.	Shakti Bidyaloy	1038	8.2
One Bank Ltd.	Prodipon, Shajida Foundation	226	1.9
Pubali Bank Ltd.	Oporajeo Bangladesh, BRAC, Nari Moitri	544	4
The City Bank Ltd.	Prodipon	154	1.8
Trust Bank Ltd.	Manab Sheba & Samajik Unnayan Sangostha	280	1
Al-Arafah Islami Bank Ltd.	ASD	75	0.3
Uttara Bank Ltd.	Poriborton	76	0.1
Prime Bank Ltd.	BRAC	60	0.1
Dutch-Bangla Bank Ltd.	Education & Development Foundation	20	0.04
Total		4684	33.99

Source: Financial Inclusion Department, BB.

services of which, 17 have started commercial operation. The number of agent outlets increased from 3,224 to 5,351 and the number of account holders increased from 0.87 million to 1.78 million during June 2017 to June 2018. Total balance of these accounts increased to BDT 20.12 billion in June 2018 from BDT 6.51 billion in June 2017. Till June 2018, expatriates have remitted foreign currency equivalent to BDT 35.14 billion through these accounts.

BB Refinance Scheme for BDT 10 Account Holders

6.26 With a view to bring the financially deprived grass root population under formal financial services and to gear up the banking activities of 10 BDT accounts, BB introduced a revolving refinance fund of BDT 2.0 billion in May 2014. The highest limit of refinance facility is BDT 50 thousand under this scheme. Only 10 BDT account holders can avail this facility via commercial banks without any collateral or service charges. Borrowers engaged in any kind of income generating activities such as, street vendors, farmers, boutiques, cobblers etc. can apply for this facility. Low rate of interest of this facility gives more breathing space for the low income groups. Till June 2018, approximately 959.5 million BDT has been disbursed by 40 participatory commercial banks who have signed agreement with BB to disburse credits under this scheme.

Small and Medium Sized Enterprise Development Project (SMEDP-2)

6.27 To broaden the scope of financial inclusion activities all over the country, BB is engaged with a new project named 'Second Small and Medium Sized Enterprise Development Project (SMEDP-2)' jointly funded by Asian Development Bank (ADB) and Government of

Bangladesh (GOB). Under this project, credit facility will be provided to cottage, micro, small and medium enterprises including women entrepreneurs residing outside of Dhaka and Chittagong Metropolitan areas with a view to enhance the scope of access to finance for this particular group. The Loan Agreement and Project Agreement of 'SMEDP-2 Project' was signed on 18 January 2017 between GOB and ADB with initial funding of USD 240.0 Million for providing development assistance under this refinance scheme. Under the supervision of Financial Institution Division of Ministry of Finance, BB will implement this project by June 2021 (fixed term). Till June 2018, approximately BDT 1.60 billion has been disbursed under this project by 20 private commercial banks and 12 Financial Institutions, who have signed participation agreement with BB under this project.

NRB Remittance

6.28 Gross remittance earning is increased by 17.3 percent from USD 12,769.45 million in FY17 to USD 14,981.69 million in FY18. At present, BB along with other stakeholders has taken initiatives to boost inward remittances through formal 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, Bangladesh Bank awarded 20 individuals as best remitters in both general professional and businessman categories, 9 best bond investors, 3 best NRB owned exchange houses as best remitters and 5 commercial banks to collect remittance for the year 2017 to recognize their contribution to the economy.

Financial Literacy

6.29 To bring the larger portion of financially

excluded population under formal financial services, BB has taken diverse financial literacy initiatives since 2014. BB has prepared two television commercials and ten radio broadcasting commercials. BB is also working with the Ministry of Education to pace the financial literacy programme among school level students. To enhance financial literacy among mass people, BB has instructed commercial banks to launch slogans, pictures and symbols on financial literacy that may be printed on ATM booths, bill boards, opposite side of check books, deposit slips and various publications of the banks.

Alliance for Financial Inclusion (AFI) and Maya Declaration

6.30 Alliance for Financial Inclusion (AFI) is a worldwide network of financial inclusion policy makers of 106 member institutions comprising central banks and/or financial regulatory institutions from 91 countries. Bangladesh Bank is a principal member of AFI since June 2009. At present, Governor of Bangladesh Bank is the Chair of the AFI Board of Directors.

6.31 Maya declaration was launched in September 2011 at the AFI Global Policy Forum in Riveria Maya, Mexico. BB signed the Maya Declaration on behalf of Bangladesh in

September 2014. Out of 37 targets committed by BB, 20 have been achieved till June 2018. Due to significant progress in financial inclusion, BB has been awarded with the AFI Policy Award in 2014. BB and AFI organized a joint learning program on “Digital Financial Services” during 04-08 December 2017 in Dhaka.

Child and Youth Finance International (CYFI)

6.32 BB became a partner of the Child & Youth Finance International (CYFI), a non-profit Dutch Foundation in 2015. Deputy Governor of BB is working as one of the members of the Supervisory Board of CYFI. The Global Inclusion Awards, a CYFI initiative, recognizes and honors those who successfully demonstrate innovation in financial, social and livelihood education, financial inclusion, and entrepreneurial support for children and youth at the national, regional and international levels. The 6th Global Inclusion Awards ceremony was organized by CYFI and the German G20 Presidency/German Federal Ministry for Economic Cooperation and Development (BMZ). Bangladesh as a country won the ‘Global Inclusion Award’ in 2017 by competing with 19 countries from five regions. The award was given to Bangladesh Bank for its sustainable and innovative financial inclusion and financial education initiatives.