

# Quarterly Review Report

on

## Green Banking Activities of Banks & Financial Institutions

and

## Green Refinance Activities of Bangladesh Bank



July-September, 2019



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

## Executive Summary

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

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

In recent days, an increasing number of banks/NBFIs are going green by providing innovative products that cover financial services to support the activities that are not hazardous to environment, on the other hand help to conserve environment. Such activities are popularly known as 'Green Banking Activities'. This report entails the information on all the policy initiatives and operational approaches on green finance taken by Bangladesh Bank (BB), and also the Green banking activities of Banks & Financial Institutions from July 01 to September 30, 2019 timeline. It covers both green finance/investment by 59 scheduled banks and 33<sup>1</sup> FIs under refinance scheme and also finance/investment for green projects from their own sources.

	Sep, 2018	Dec, 2018	March, 2019	June, 2019	Sep, 2019
<b>Green Finance by Banks (In million Tk)</b>	25,231.91	21,090.38	28,754.37	23,676.38	19,104.82
<b>Green Finance by FIs (In million Tk)</b>	588.01	2,630.23	1,739.23	1,542.40	1,095.13

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

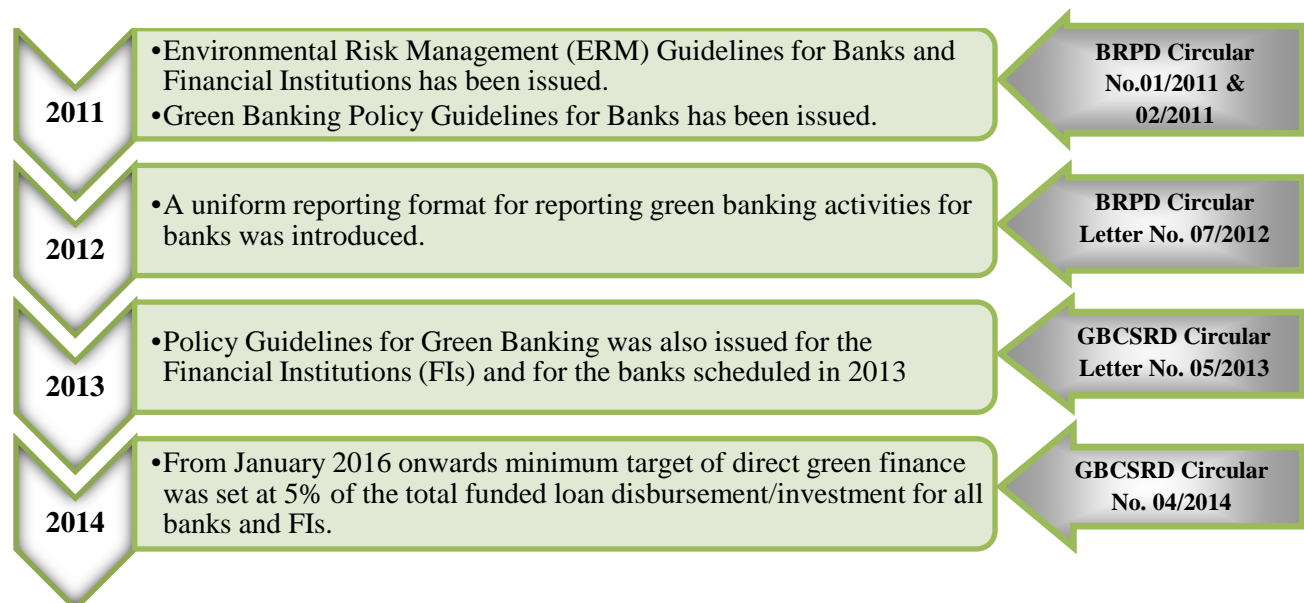
## 1. Introduction

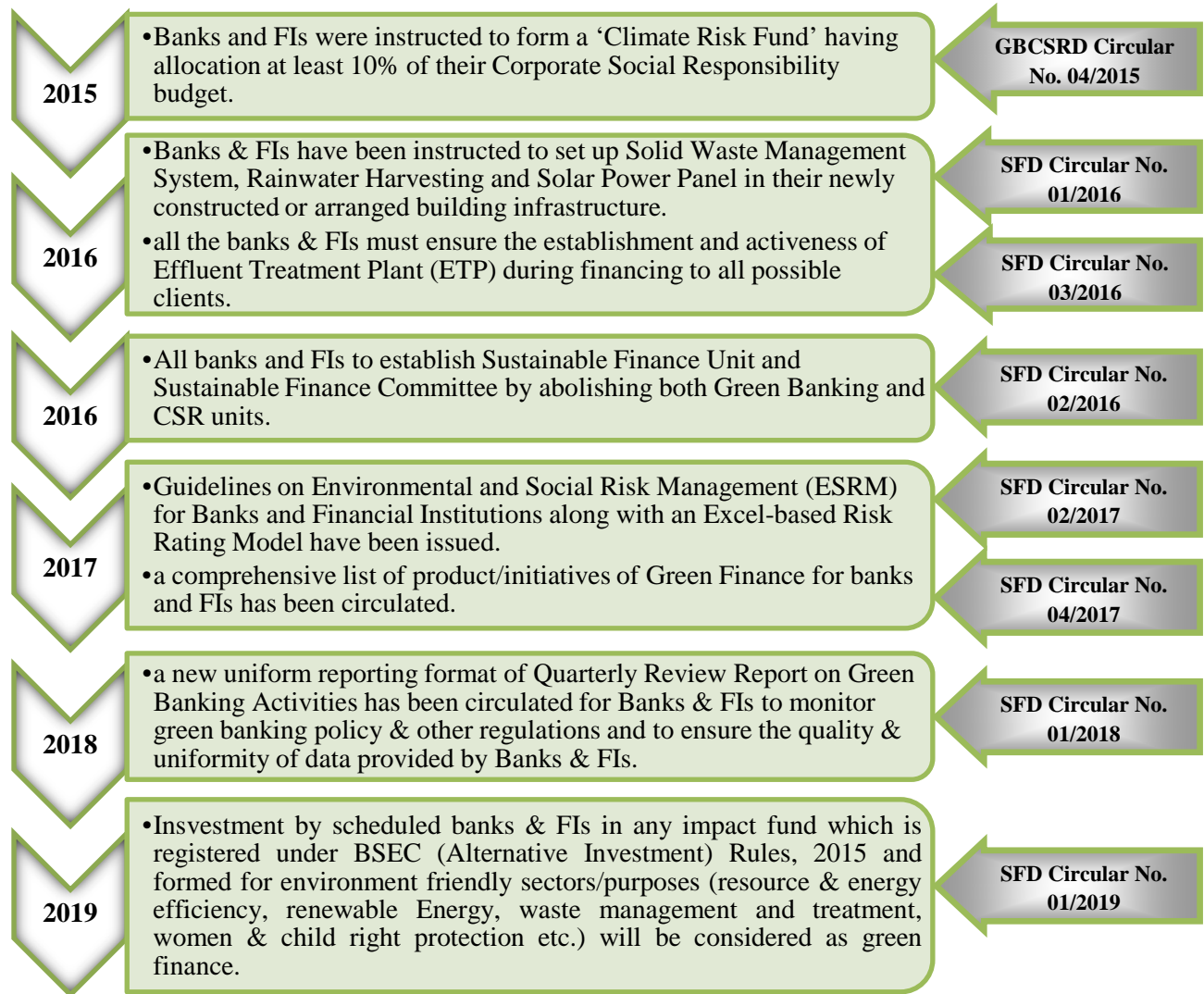
Green banking is a genre of banking practices which considers all the social and environmental/ecological factors with an aim to protect the environment and conserve natural resources. It is also called as ethical banking or sustainable banking. The banking sector is one of the major sources of financing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

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

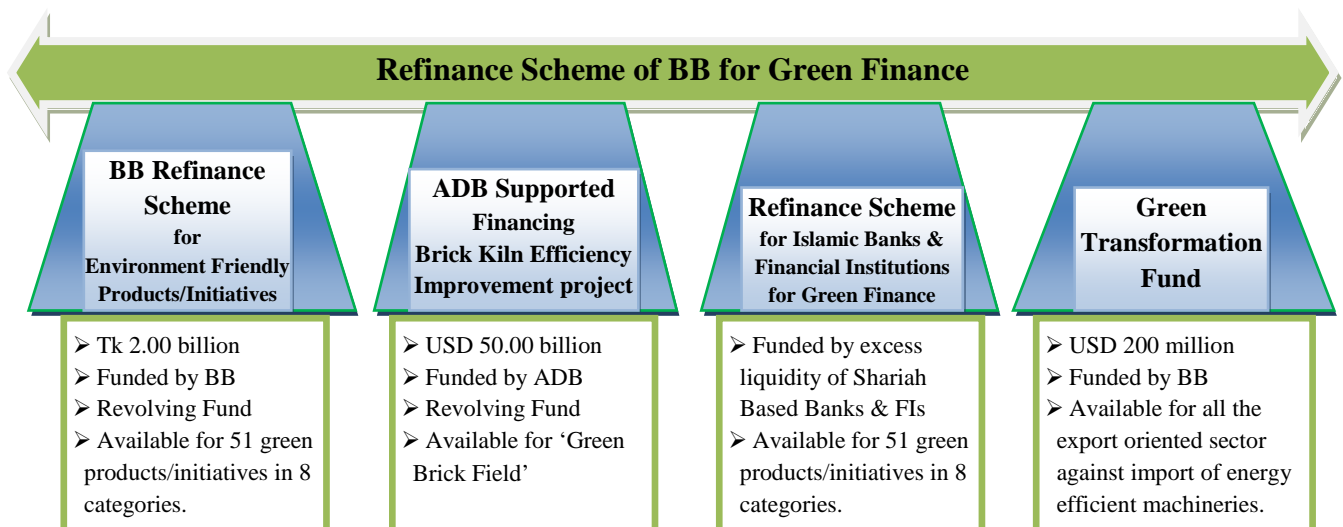
## 2. Policy Chronology and Support Funding Initiatives of BB

### 2.1 Policy Chronology:





## 2.2 Support Funding Initiatives of BB:



### 3. At a Glance Green Banking of July-September, 2019

#### 3.1 Green Finance:

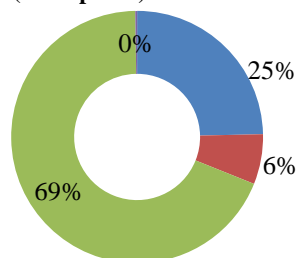
Issue	Banks	FIs
Green Finance (in million Taka)	19,104.82	1,095.13
Green finance as % of total funded loan disbursement	0.96%	2.28%

Green finance in number of Products of different sectors	Renewable Energy (18)	Energy Efficiency (7)	Alternative Energy (1)	Waste Management (11)	Recycling & Recyclable Product (7)	Green Brick Manufacturing (3)	Green Establishment (2)	Misc. (3)	Total (52)
<b>Banks</b>	8	3	1	5	6	2	2	2	<b>29</b>
<b>FIs</b>	6	2	0	0	0	1	0	0	<b>9</b>

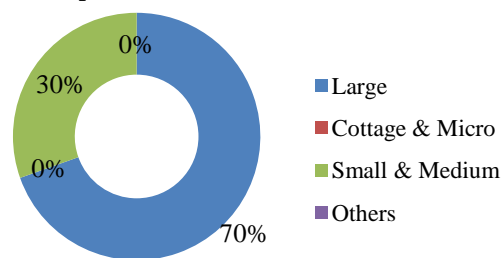
#### 3.2 Number of Borrowers in Green Finance:

Number of Borrowers in Green Finance (Enterprises)	Large	Cottage & Micro	Small & Medium	Others	Total
<b>Banks</b>	211	55	588	2	<b>856</b>
<b>FIs</b>	16	-	7	-	<b>23</b>

Number of Borrowers in Green Finance (Enterprises) for Banks

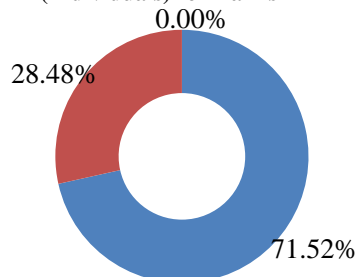


Number of Borrowers in Green Finance (Enterprises) for FIs

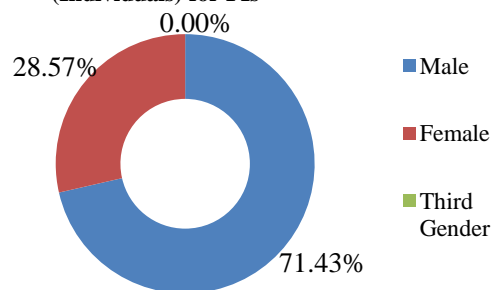


Number of Borrowers in Green Finance (Individuals)	Male	Female	Third Gender	Total
<b>Banks</b>	118	47	0	<b>165</b>
<b>FIs</b>	10	4	0	<b>14</b>

Number of Borrowers in Green Finance (Individuals) for Banks

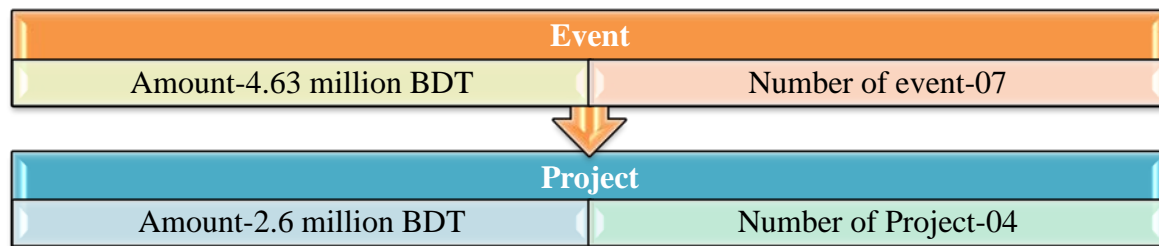


Number of Borrowers in Green Finance (Individuals) for FIs



**3.3 Non-performing Loan:**

Comparison of Non-performing Loan (Till September 30, 2019)		
Issue	Banks	FIs
Total Outstanding Loans/ Investment (In million TK)	10,436,708.40	660,363.82
Total Classified Loans/ Investment (In million TK)	1,155,806.58	68,849.63
Outstanding Loans/Investment under ESDD (In million TK)	1,949,372.69	141,573.04
Classified Loans/Investment under ESDD (In million TK)	91,662.19	18,016.22
Outstanding Loan/Investment under Green Finance (In million TK)	123,451.23	29,866.88
Classified Loan/Investment under Green Finance (In million TK)	6,639.44	3,839.09

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

Issue	Banks	FIs
Number of environmental risk rated projects	13,597	451
Number of environmental risk rated projects financed	13,261	400
Amount disbursed against rated projects (in million Taka)	481,198.21	23,933.57

**3.6 Environmental Conservation in Business Centres:**

Issue	Banks	FIs
Number of solar powered branches	578	3
Number of Branches with Rainwater Harvesting	7	0
Number of Branches with Solid Waste Management System	46	8
Number of solar powered ATM Booths	87	-
Online branches (as % of total branches)	89.58%	N/A

**3.7 Leading Banks & FIs in Green Finance<sup>2</sup>:**

Name of the Institutions	Green finance as % of total funded loan disbursement
<b>HSBC Ltd.</b>	8.4%
<b>IFIC Bank Ltd.</b>	6.78%
<b>Brac Bank Ltd.</b>	4.5%
<b>The Premier Bank Ltd</b>	3.97%
<b>NRB Bank Ltd</b>	3.00%
<b>Bangladesh Infrastructural Finance Fund Ltd.</b>	33.71%
<b>Islamic Finance &amp; Investment Ltd.</b>	12.30%
<b>Infrastructure Development Co. Ltd.</b>	3.73%

<sup>2</sup> Banks & FIs have had an exposure in green finance  $\geq 3\%$  of total funded loan disbursement.

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

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

To broaden the financing avenue for green products like solar energy, bio-gas plant and effluent treatment plant, etc., BB established a revolving refinance scheme amounting to Taka 2 billion (200 crore) from its own fund for solar energy, Bio-gas and Effluent Treatment Plant (ETP) in 2009. The product line has been enhanced to 51 under 08 categories. Since inception, total amount of Tk. 4,149.10 million has been disbursed as refinance facility from the fund till September 30, 2019. The facility is extended to the participating Banks and Financial Institutions (PFIs)<sup>3</sup>, those who have signed agreement with Bangladesh Bank to avail the fund. The disbursement scenario of this scheme during July-September, 2019 quarter is furnished below:

SL. No	Sub-category/ Product	Taka in million
1	Biogas	0.45
2	Effluent Treatment Plant (ETP)	30.00
3	Vermi compost	0.15
<b>Total Disbursement</b>		<b>30.60</b>

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

“Financing Brick Kiln Efficiency Improvement Project” funded by Asian Development Bank (ADB) was established in 2012 for reducing greenhouse gas emissions and fine particulate pollution from brick fields of the country and building environment friendly brick field through efficiency development of brick kiln with appropriate use of energy. In this scheme, total amount of loan from ADB is 50.00 million USD/converted to equivalent BDT for local use. It has two parts: Part-A: 30.00 million USD for conversion of Fixed Chimney Kiln (FCK) to Improved Zigzag Kiln and Part-B: 20.00 million USD for establishment of new Vertical Shaft Brick Kiln (VSBK), Hybrid Hoffman Kiln (HHK) and Tunnel Kiln. Relending facilities are extended to the Participatory Banks and Financial Institutions (PFIs) in this purpose. 36 banks and 21 financial institutions have signed participation agreement with Bangladesh Bank so far. Under this relending facility, total \$33.55 million equivalent BDT 264.05 crore relending facility has been disbursed to 14 subprojects through 15 Participating Financial Institutions (PFIs) till September, 2019. No disbursement has been made in July-September quarter of FY2019-20. The tenure of the project is December 2019.

<sup>3</sup> 36 banks and 23 Financial Institutions

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

Bangladesh Bank has introduced refinance scheme funded by excess liquidity of shariah based financial institutions to facilitate the shariah based banks and non-bank financial institutions (NBFIs) in 2014<sup>4</sup>. In 2018 Bangladesh Bank has issued an integrated and comprehensive “master circular”<sup>5</sup> by revising and incorporating all the existing circular and circular letters related to this refinance scheme. BB has enhanced the product range under this scheme to 51 and segregated these products into 8 categories. During July-September, 2019 quarter no disbursement has been made in new project from this scheme.

### 4.4 Green Transformation Fund (GTF):

In January 2016, a longer-term refinancing window named Green Transformation Fund (GTF) of 200 million USD was launched to ensure sustainable growth in export oriented textile and leather sectors conducive to transformation of green economy in the country<sup>6</sup>. To further fortify the financing arrangement under GTF, it was decided to provision for a Participation Agreement to be signed between Bangladesh Bank and intended banks. To widen the scope of this fund, it has been opened for all manufacturer-exporters irrespective of sectors against import of capital machinery and accessories for implementing specified green/environment-friendly initiatives since September, 2019<sup>7</sup>. Under this scheme, 19 banks have signed participation agreement with BB. The disbursement from this Fund is 26.103 million USD in till September, 2019. In July-September, 2019 quarter disbursement from this fund is 3.842 million USD only in textile sector.

<b>At a glance Funding Schemes of BB for Green Finance in July-September, 2019</b>		
<b>Funding scheme of BB</b>	<b>Amount</b>	<b>Number of Project</b>
<b>Disbursement from BB Refinance Scheme for Environment Friendly Products/Initiatives (in million Taka)</b>	<b>30.60</b>	<b>6</b>
<b>Disbursement from ADB Supported Financing Brick Kiln Efficiency Improvement project (in million Taka)</b>	-	-
<b>Disbursement from Refinance Scheme for Islamic Banks &amp; Financial Institutions for Investment in Green Products/Initiatives (In million Taka)</b>	-	-
<b>Disbursement from Green Transformation Fund (GTF) (In million Dollar)</b>	<b>3.842</b>	<b>2</b>

<sup>4</sup> GBCSRD circular no. 06 /2014

<sup>5</sup> SFD Circular No.02/2018

<sup>6</sup> FE Circular No. 02/2016

<sup>7</sup> FE Circular Letter No. 14/2019)



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

### 5.1 Policy Formulation and Governance:

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

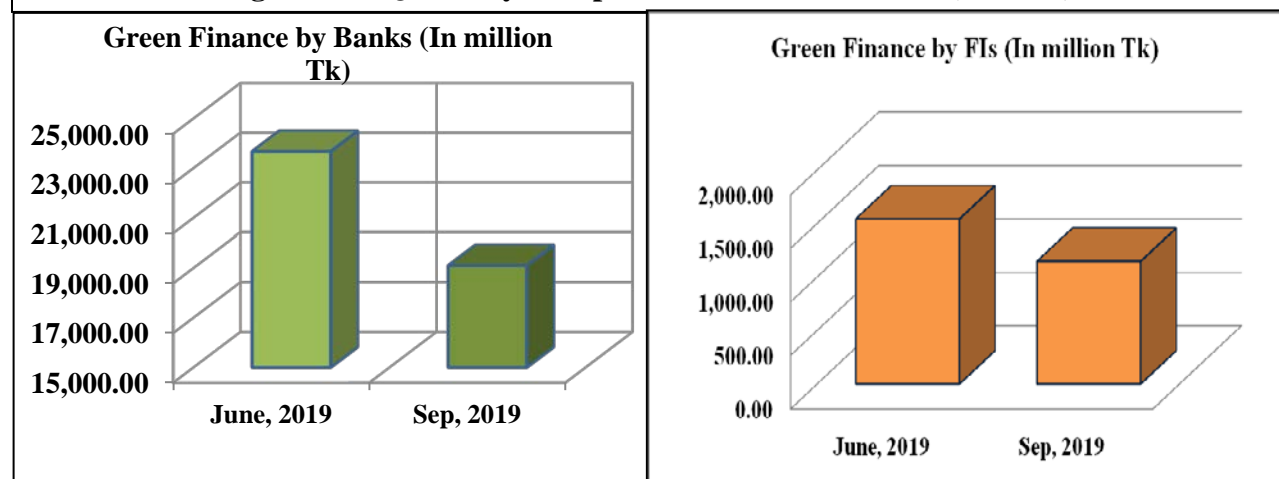
### 5.2 Overview of Green Finance:

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

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

Type of Bank/FI	Total Finance in July-September, 2019 (in million Taka)		Green Finance in July-September, 2019 (in million Taka)	
	Sanctioned	Disbursed	Sanctioned	Disbursed
SOCBs (06)	142,398.90	136,130.67	138.85	232.95
SDBs (03)	16,223.59	16,210.59	0.16	0.16
PCBs (41)	1,855,060.06	1,568,466.01	27,177.32	9,969.52
FCBs (09)	360,985.69	277,118.57	8,864.10	8,902.19
<b>Banks' Total</b>	<b>2,374,668.24</b>	<b>1,997,925.84</b>	<b>36,180.42</b>	<b>19,104.82</b>
<b>FIs (33)</b>	<b>38,114.81</b>	<b>47,942.15</b>	<b>1,112.10</b>	<b>1,095.13</b>

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



### 5.3 Green Finance- Category wise:

49 Banks out of 59 and 10 FIs out of 33 have had exposure in green finance in the reporting quarter. Total amount invested as green finance has been Tk. 19,104.82 million by banks and 1,145.13 million by FIs in July-September, 2019 quarter. A brief picture of green finance by Banks and FIs is shown in Table-5.2 & 5.3 and Figure-5.2, 5.3 & 5.4:

**Table-5.2: Green Finance (in million Taka)**

Type of Bank/FI	Sectors of Green Finance			
	Renewable Energy	Energy Efficiency	Alternative Energy	Waste Management
<b>SOCBs (06)</b>	3.26	0.00	0.00	94.10
<b>SDBs (03)</b>	0.07	0.00	0.00	0.00
<b>PCBs (41)</b>	444.98	311.25	0.55	1,074.61
<b>FCBs (09)</b>	38.09	98.85	0.00	0.00
<b>Banks' Total</b>	<b>486.40</b>	<b>410.10</b>	<b>0.55</b>	<b>1,168.71</b>
<b>FIs (33)</b>	215.00	740.23	0.00	0.00

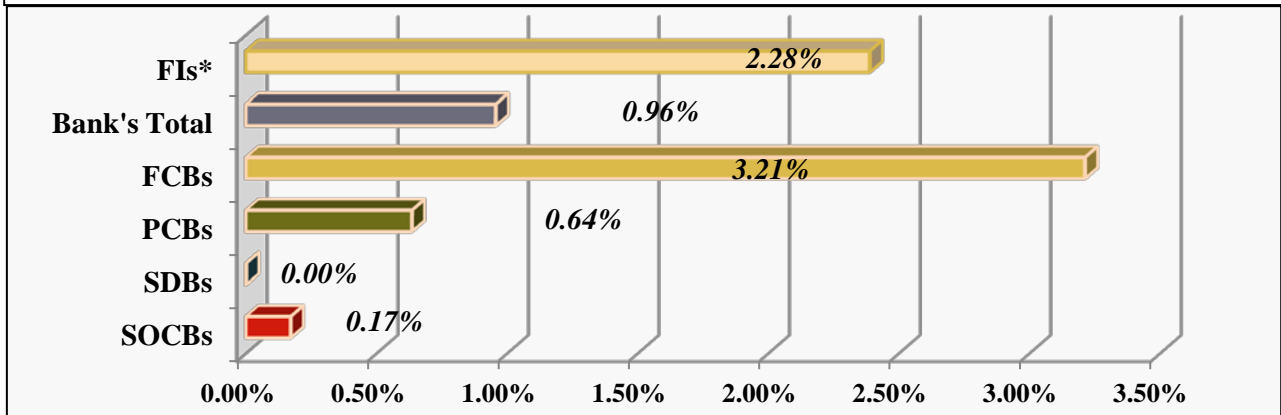
**Table-5.2: Green Finance (in million Taka)- Table Continued**

Type of Bank/FI	Sectors of Green Finance			
	Recycling & Recyclable Product	Green Brick Manufacturing	Green Establishment	Miscellaneous
<b>SOCBs (06)</b>	109.67	22.84	0.00	3.08
<b>SDBs (03)</b>	0.00	0.00	0.00	0.09
<b>PCBs (41)</b>	925.27	2,325.97	4,742.56	144.33
<b>FCBs (09)</b>	0.00	0.00	8,765.25	0.00
<b>Banks' Total</b>	<b>1,034.94</b>	<b>2,348.81</b>	<b>13,507.80</b>	<b>147.50</b>
<b>FIs (33)</b>	0.00	139.89	0.00	0.00

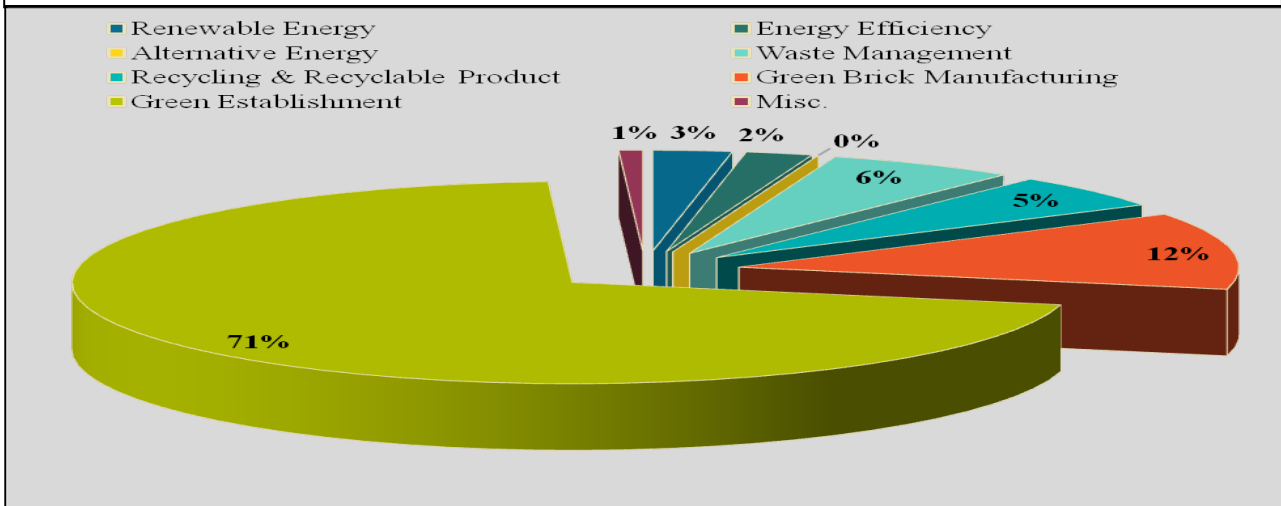
**Table-5.3: Green Finance as % of Total Finance**

Type of Bank/FI	As % of Total Sanctioned	As % of Total Funded Loan Disbursement
<b>SOCBs (06)</b>	0.10%	0.17%
<b>SDBs (03)</b>	0.00%	0.00%
<b>PCBs (41)</b>	1.47%	0.64%
<b>FCBs (09)</b>	2.46%	3.21%
<b>Banks' Total</b>	<b>1.52%</b>	<b>0.96%</b>
<b>FIs (33)</b>	<b>2.92%</b>	<b>2.28%</b>

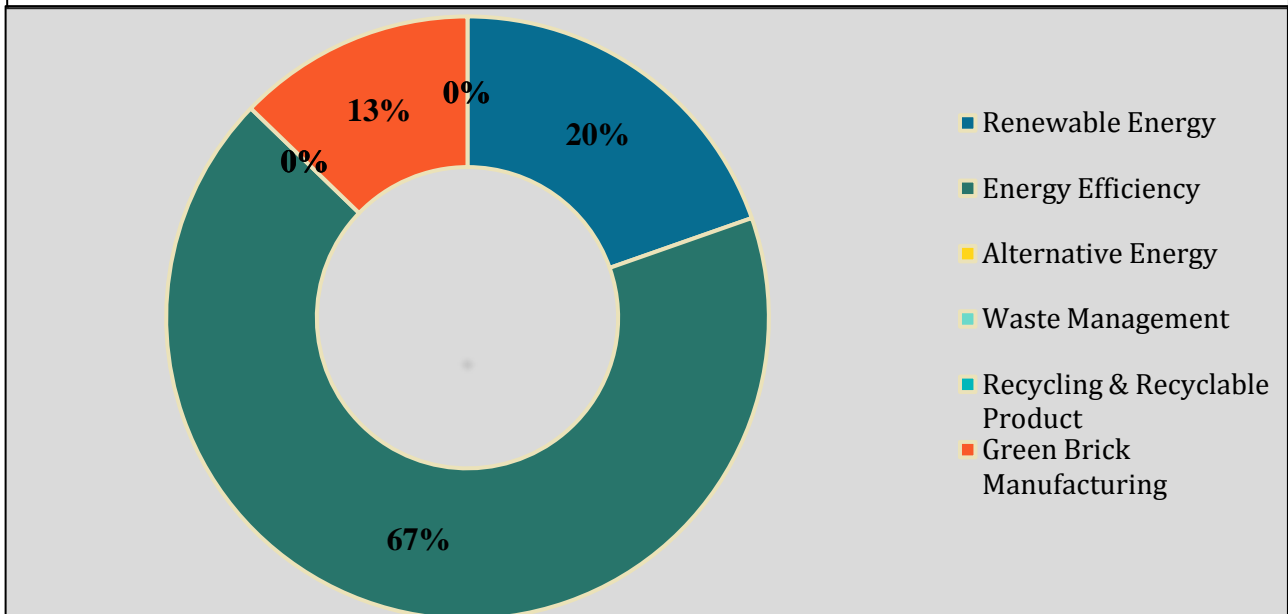
**Figure-5.2: Green Finance as % of Total Funded Loan Disbursement**



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



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



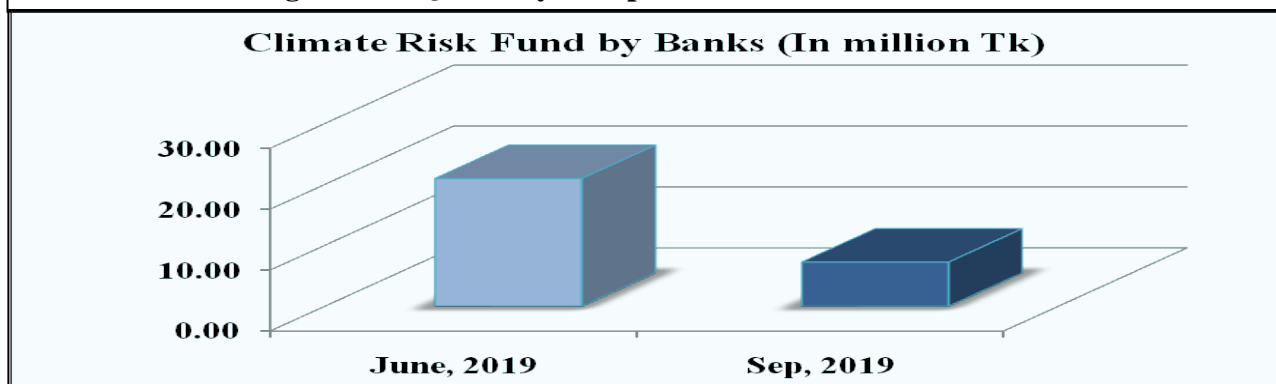
#### 5.4 Climate Risk Fund:

7.23 million taka has been utilized as grant from climate risk fund by Banks which is significantly less than the previous quarter (Figure-5.5).

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

Type of Bank/FI	Grant		Concessional Loan
	Event	Project	
<b>SOCBs (06)</b>	0.00	0.00	0.00
<b>SDBs (03)</b>	0.00	0.00	0.00
<b>PCBs (41)</b>	2.99	0.50	0.00
<b>FCBs (09)</b>	1.64	2.10	0.00
<b>Banks' Total</b>	<b>4.63</b>	<b>2.60</b>	<b>0.00</b>
<b>FIs (33)</b>	0.00	0.00	0.00

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

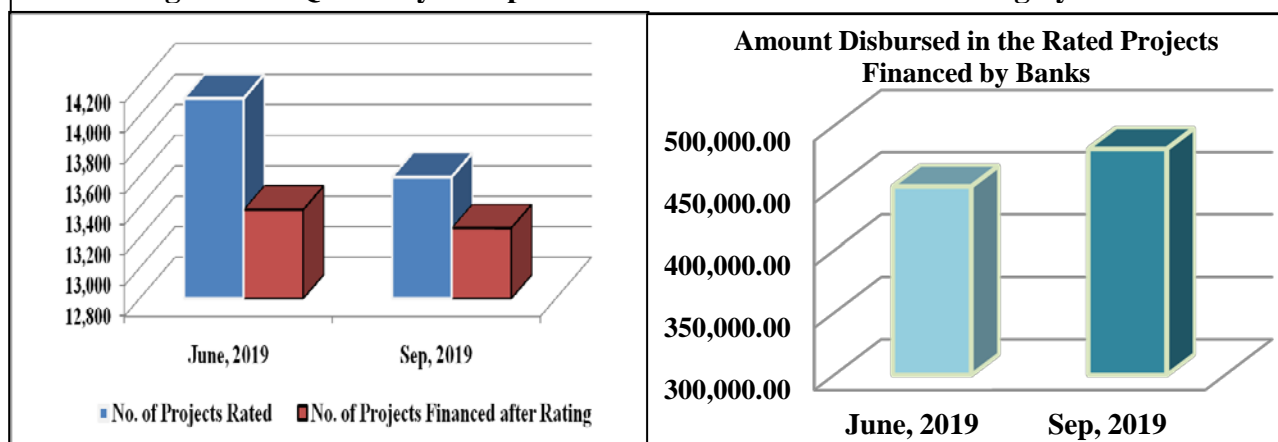
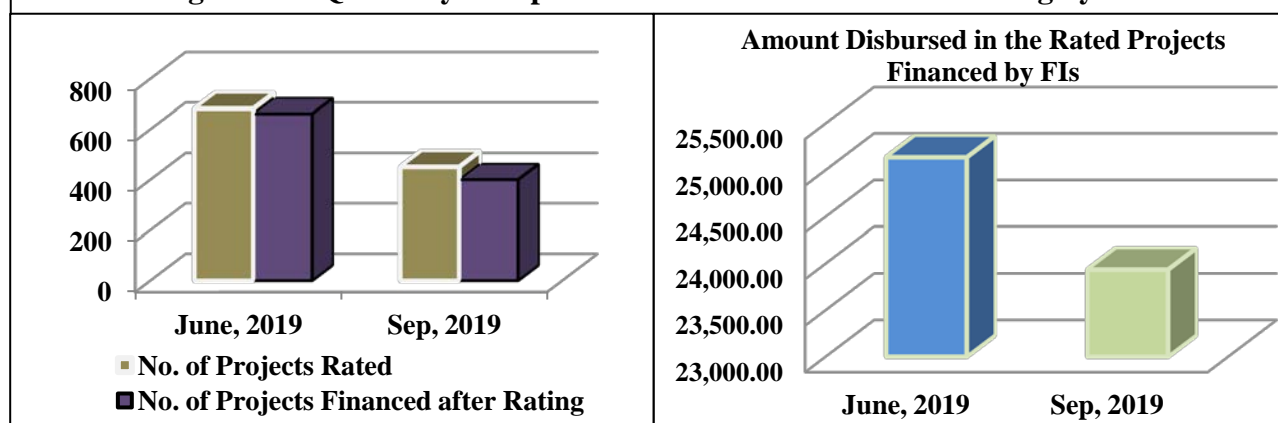


#### 5.5 Compliance Overview of ESRM Framework:

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

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

Type of Bank/FI	No. of Projects Rated	No. of Rated Projects Financed	Amount disbursed in Rated projects (in million taka)
<b>SOCBs (06)</b>	1,738	1,821	11,365
<b>SDBs (03)</b>	0	0	0
<b>PCBs (41)</b>	11,558	11,259	421,675
<b>FCBs (09)</b>	301	181	48,158
<b>Banks' Total</b>	<b>13,597</b>	<b>13,261</b>	<b>481,198.21</b>
<b>FIs (33)</b>	451	400	23,933.57

**Figure-5.6: Quarterly Comparison of Environmental Risk Rating by Banks****Figure-5.7: Quarterly Comparison of Environmental Risk Rating by FIs****5.6 In-house Environment Management:****Table-5.6: Environmental Conservation in Business Centres**

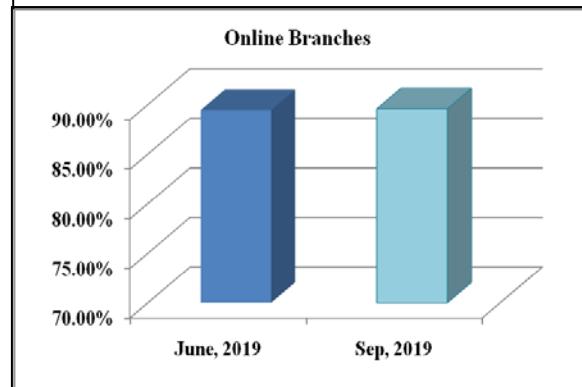
Type of Bank/FI	No. of Branches	No. of branches powered by Solar Energy	No. of ATM Booths	No. of ATM Booths powered by Solar Energy	Number of Agent Outlets	Number of Solar Powered Agent Outlets
<b>SOCBs (06)</b>	3,766	76	232	2	200	0
<b>SDBs (03)</b>	1,420	5	6	0	0	0
<b>PCBs (41)</b>	5,129	492	6,953	74	23,375	5
<b>FCBs (09)</b>	64	5	139	11	0	0
<b>Banks' Total</b>	<b>10,379</b>	<b>578</b>	<b>7,330</b>	<b>87</b>	<b>23,575</b>	<b>5</b>
<b>FIs (33)</b>	282	3	-	-	-	-

**5.7 Online Banking:**

56 Banks out of 59 have at least one online branch and 41 banks have introduced internet banking facility up to March, 2019. 89.58% automation towards green banking has been observed in the expansion of online branches (Figure-5.8).

**Table-5.7: Automation towards Green Banking  
(till June 30, 2019)**

Type of Bank/FI	No. of Total Branches	No. of Branches with online coverage	% of Online Branches
<b>SOCBs (06)</b>	3766	3,693	98.06%
<b>SDBs (03)</b>	1420	413	29.08%
<b>PCBs (41)</b>	5129	5,127	99.96%
<b>FCBs (09)</b>	64	64	100.00%
<b>Grand Total</b>	<b>10,379</b>	<b>9,297</b>	<b>89.58%</b>

**Figure-5.8: Online Branches**

### 5.8 Training, Promotion and Disclosure:

30 Banks have arranged 83 training programs concerning green banking where total number of participants was 3,168. On the other hand, 6 FIs have arranged 6 training programs concerning green banking where total number of participants was 150. A snapshot on training in July-September, 2019 quarter is given below:

**Table-5.8: Training in July-September, 2019**

Type of Bank/FI	No. of Programs	No. of Employees	No. of Customers
<b>SOCBs (06)</b>	6	101	0
<b>SDBs (03)</b>	5	146	0
<b>PCBs (41)</b>	67	2599	75
<b>FCBs (09)</b>	5	247	0
<b>Total</b>	<b>83</b>	<b>3,093</b>	<b>75</b>
<b>FIs (33)</b>	6	144	6

## 6. Concluding Remarks:

The green banking activities of Banks and FIs in the quarter ended September 30, 2019 has experienced a downward trend in green finance for the financial sector. Green finance by banks has been decreased by 19.31% in this quarter than the previous one; in case of FIs it has been decreased by 29.00%. The overall picture is not quite encouraging for this quarter. Total disbursement of Banks & FIs has decreased in this quarter. This can be a reason for this decreasing trend of green finance. Though the scenario is not appreciable, few institutions have surpassed the target of green finance compared to the total disbursement (5%). HSBC (8.4%) and IFIC Bank Limited (6.78%) have done a very good job. Brac Bank Limited (4.5%) was also very close to achieve the target. Among FIs, Bangladesh Infrastructural Finance Fund Limited (33.71%) and Islamic Finance & Investment Limited (12.30%) have performed very well. BB is pursuing to boost up the whole scenario by taking appropriate policy initiatives. Refinance support from BB is also playing an important role to incentivize the green banking activities. As the outcome of these initiatives, it is expected that positive impact will be evidenced in the trend of green finance by banks and FIs in gradual manner. We also anticipate rigorous, effective and coherent efforts from banks and FIs in the field of green banking.

*Preserve nature & reduce pollution*



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