

GREEN BANKING FOR SUSTAINABLE DEVELOPMENT



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Green banking for sustainable development

At present, climate change is the most complicated issue across the world is facing and there have been continuous endeavours to measure and mitigate the risk of climate change caused by human activities. Many countries all over the world have made commitments necessary to mitigate climate change. Green banking is like a normal bank, 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 an ethical bank or a sustainable development for future.

It refers to the initiatives taken by banks to encourage environment friendly investment. Green banking is a proactive and smart way of thinking towards future sustainability. It is very important for the banks to be proactive and accelerate the rate of the growth of the economy. As there is a continuous change in the environmental factors leading the banks face intense competition in the global market. Banks need to apply morality of sustainability and responsibility to their business model, strategy and formulation for products and services, operations and financing activities and become stronger. By adopting the environmental factors in their lending activities banks can recover the return from their investments and make the polluting industries become environment friendly.

Globally in the United States, green banks have been created at the state and local levels and the green bank concept was originally developed by Reed Hundt and Ken Berlin, as a part of the 2008 Obama-Biden Transition Team's efforts to facilitate clean energy development. The United Kingdom, Australia, Japan, and Malaysia have all created national banks dedicated to leveraging private investment in clean energy technologies. Together, green banks around the world have driven approximately \$30 billion of clean energy investment.

There are many types and styles of institutions that finance clean energy and green infrastructure projects. There are several key elements that distinguish green banks from other financing institutions: a focus on commercially viable technologies, a dedicated source of capital, a focus on leveraging private investment, and a relationship with government. Green banks also focus on commercially viable technologies, as opposed to early-stage innovative technologies, because they have been tested, have less associated with “technology risk” and can reliably produce revenue for project owners.

Green banking is something not new in Bangladesh and this innovative banking system has been incorporated in Bangladesh since 2011. 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. It is basically the paperless banking which doesn't harm the environment at all. It is also the finance of the banking project, service or trade in a firm or individual which doesn't pollute the environment in any way or causes any harmful elements or waste to the atmosphere. On-line banking, i-banking (Internet banking), ATM, CRM, POS, IDM, SMS service, finance in solar energy, etc., are the some examples of green banking technology in Bangladesh.

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 development and environmental protection, for promoting environmentally sustainable and socially responsible investment.

At present, climate change is the most complicated issue in the world. Many countries all over the world have made commitments necessary to mitigate climate change. Although banks are considered environment friendly and do not impact the environment greatly through their own 'internal' operations, the 'external' impact on the environment through their customers' activities is substantial.

Bangladesh Bank (BB) issued the Environmental Risk Management Guidelines for banks and financial Institutions (FIs) in 2011 to assess environmental risk in their credit and policy

guidelines for Green Banking for Banks. BB also introduced a uniform reporting format for reporting green banking activities in a structured manner for banks in 2012 and prepared the Policy Guidelines for Green Banking in 2013.

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 loan disbursement/investment from January 2016 onwards for all banks and FIs.

Studies show that the intervention from the central bank has high positive impact on the implementation of green banking. Regulating bodies could promote corporate accountability, transparency and consideration of impacts on the environment and society. To encourage compliance, various benefits have been offered by the government of Bangladesh and the country's banking sector regulator. For example, "Financing Brick Kiln Efficiency Improvement Project" was established by the BB with support from the Asian Development Bank (ADB) worth US\$ 50.00 million for local use to reducing greenhouse gas emissions and refine particulate pollution from brick fields.

All the commercial banks have already adopted green banking policy in their internal practice and also formed green banking unit to look after the green banking activities of the respective banks. A total of 569 branches have already been running under solar panel system up to June 2019, whereas 101 branches were running under the same system until 2012. Then no ATM booth was available under solar panel system but now 95 ATM booths out of 7015 are running under the same system.

Paperless banking is one of the most important developments of green banking in Bangladesh. A sum of 9251 branches out of 10,342, i.e. 88.45 percent branches are rendering services under online facilities up to June 2019, whereas it was 3,042 out of 7,998 branches during 2012. Private commercial banks are rendering such services since long but government banks have made a remarkable progress after resumption of green banking policy in Bangladesh.

A total of 3,688 branches of government commercial bank out of 3,762, i.e. 98.03 percent come into online services up to June 2019, whereas it was only 5.49 percent out of total 3,442 in 2012. In case of the private commercial banks, all 5,097 branches are rendering

online services except only one and all 60 branches of foreign commercial banks are rendering the same since long.

Many banks are more advanced to decorate in their internal side as a green banking atmosphere. As such, Shahjalal Islami Bank Ltd has constructed a 17-storied 'Iconic Green Tower' at Gulshan area having the facility of 35 percent less consuming electricity and water system. This structure is certified as Lead Gold of USGBC of USA and its rooftop is also decorated by many eye-catching green trees. In the same way, Mutual Trust Bank has constructed the MTB Tower at Bangla Motor having the facility of solar panel system and less consuming water and electricity system. Alarafah Islami Bank Ltd has also rendering services of its 60 branches out of 174 branches through solar panel system as a symbol of green banking environment.

Islami Bank Bangladesh Ltd is the largest bank in our country considering Islamic finance and investment. Maximum area of its Head Office is running under the solar panel system and its 58 branches out of 361 across the country are rendering services under solar panel system. Every branch has made 28-point instructions from its Head Office meticulously to follow green banking in case of using water, electricity and other costs. This bank have planted 10 million samplings all around the country to make green environment through its Rural Development Scheme in 2018 and this process is running thereafter in every year.

Geographically Bangladesh is one of the most affected climate change countries in the world and the people of Bangladesh have been suffering for years from it. BB has the legitimate right to mould the actions of the banks and it is able to coerce all banks to put into action green banking policy to subdue its own environmental pollution as well as a commercial bank through the country.

If we all are well aware about our environment, we can save and change our risky climate through green banking initiative and investment.

Writer: Md. Zillur Rahaman, banker and freelance contributor.
