

Green Financing in Bangladesh

Project on

GREEN FINANCING IN BANGLADESH

Submitted to:

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Letter of Transmittal

Liliping

Senior lecturer

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Subject: Submission of the project report on “**Green Financing in Bangladesh.**”

Sir,

I am sending you my project report named "Green Finance in Bangladesh" with great pleasure. This report analysis has been extremely fascinating, informative, and instructive for me. I did my best to put up an excellent paper. The paper goes into great detail regarding green financing in Bangladesh, including how it is implemented and the obstacles and possibilities it presents. I obtained this information from many sources.

I really hope that my research would assist in providing information about green financing in Bangladesh. I hope you find this report to be well worth the time and effort I put into it..

Thank You Very Much.

Sincerely Yours,

Name: Afsana Maria Dristy

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ULAB School of Business

Abstract

When it comes to finance, green banking has become an international phenomenon since it plays a critical role in supporting economic growth and development. This is the first time in South Asia that anything like this has been attempted. Green financing in Bangladesh is examined in this research, including the obstacles, criteria, possibilities, and institutions involved, as well as how this green funding might be promoted to the general public. In order to be environmentally and socially responsible, as well as build suitable infrastructure, green funding is necessary. These are the most important ideas and images for Bangladeshi green funding. An overview of the financial institutions and non-banks involved in green banking is provided in this paper. It is the primary goal of this paper to examine the problems and prospects of green finance, as well as the many methods in which Bangladesh might expand its green banking sector without disrupting its economy. In order to ensure quick progress in greening the environment for the benefit of long-term development in Bangladesh, this study advocates an immediate policy review of green finance. It is shown in this study that the banking industry in Bangladesh has a systematic approach to green banking, which is being regulated and developed. There is a socially responsible and sustainable banking system that aims to reduce environmental issues while also lowering it at a greater level. Bangladesh's environmental society may benefit greatly from this report's explanations and suggestions on green financing in Bangladesh.

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GREEN FINANCING IN BANGLADESH

CHAPTER ONE

1.1Introduction

1.1 Background

The scientific accounting of resources and the environment is known as green finance. A number of financial intermediaries/banks throughout the globe have recently changed their emphasis from profit to more socially aware economic activities. Green financial solutions are being developed by financial institutions and banks to promote non-hazardous activities and safeguard the environment. These environmentally friendly institutions are referred to as "ethical banks," "socially responsible banks," or "sustainable banks." Because these titles encompass a broad variety of typical actions and attitudes, their true meanings may vary. Green finance/banking addresses environmental issues such as water pollution, land degradation, and biodiversity loss. Depletion of the ozone layer, air pollution, climate change, and rising greenhouse gas emissions are all instances of atmospheric depletion. .

In other words, do no harm is the goal of green finance and banking, which encourages companies to think about how their actions affect people, the environment, and their own bottom line. It is impossible to overstate the importance of banks and financial institutions to the development of a nation. The use of green finance / financing / banking by FIs / banks may improve the quality of their own company as well as raise the responsibility of other corporate entities towards society. Because financial institutions (FIs/banks) often deal with other people's money, they must be held to a higher standard of accountability. A green financial institution or bank does not always lose money. To stay afloat in the economy, financial institutions / banks must make a profit. Every money deposited in a bank must be paid. So, to pay the depositors and cover the administrative and other expenses, it will definitely make a profit. If environmental policies are too expensive to implement, the finance / banking industry may not accept them.

1.2 Objectives

The following specific objectives:

- I. Evaluate the concept and importance of green banking;
- II. To evaluate the ways and types of financing available through green banking in Bangladesh;

- III. Exploring the existing challenges, threats and positive outcomes of green financing; And design ways and means for smooth expansion of green banking in Bangladesh.

1.3 Importance of Green Finance in Bangladesh

Bangladesh is one of the world's fastest-growing economies, with enormous investment, growth, and economic potential. Other nations in the world are still grappling with the impacts of global warming and its attendant environmental implications, including Bangladesh. Bangladesh, for example, has become one of the most climate-vulnerable nations owing to rising sea levels throughout the world, resulting in environmental degradation and economic suffering for the local people.

Thus, they've developed a variety of approaches to reducing climate change and environmental responses. They've been successful so far. International standards for green investment may be used to avoid environmental damage and boost long-term development. green money is a critical financial instrument for long-term economic growth in any nation. It is logical to assume that green money may assist any government in addressing climate change problems and reaching the SDGs (SDGs).

As a result of its over-reliance on agriculture and limited ability to adjust to climate change, Bangladesh is especially at risk from floods and droughts. Bangladesh has lately upgraded to a low middle-income nation and has set its sights on being a major player in the global economy and society. . It's now possible for Bangladesh to have both fast economic growth and social change toward environmental stewardship. Bangladesh has the capacity to avert environmental harm and make better use of natural resources if it adopts a sustainable development approach. A green economy, when properly implemented, offers several advantages, among them the creation of new jobs, the improvement of energy security and industrial efficiency, and the reduction of the poor's susceptibility to the adverse consequences of climate change.

Bangladesh's environmental concerns will be better understood if the country's finance system is more environmentally friendly. A succession of unsustainable unclean industrial pollutants and infrastructure provide a considerable danger of environmental harm and climate change effects if sufficient maintenance and robust controls are not in place.

1.4 Methodology

Secondary sources of data were used to obtain the information needed to meet the study goals. Information from Bangladesh Bank's publications and articles on green banking and national

experience are included in the secondary source. It was decided to employ tables, graphs and charts as a way to describe the data in the article under consideration. Bangladesh Bank's Annual Report, Economic Trends, and Annual Review Report of Bangladesh Bank's Green Banking Activities have been collected and used in this study to compile as much information as possible from recent years.

1.5 Literature Review

Green banking and green finance are becoming more popular topics of study among academics and practitioners. The financial sector, on the other hand, is seen as a vital aspect of the economy because of its ability to integrate long-term economic development with environmental conservation. There are several ways in which it might be directly or indirectly linked to environmental sustainability preservation and degradation. A rising interest in eco-friendly financing has been stimulated by recent green bond and equity offerings in Bangladesh. New concepts like "green" have no established or universal definitions.

Sustainable development objectives, environmental sustainability, and environmental preservation are all part of Green Finance's mission. Green Finance, is a new financial event that combines economic benefit with environmental conservation. Two recent research, focused on green money, both sustainable development and finance. green money is an essential financial tool for the long-term economic growth of any nation, and in a developing country like Bangladesh, green banking and finance is recognized as a critical feature in constructing a sustainable economy.

Consequently, the development of green money is critical to attaining long-term economic growth and better environmental quality, as well as settling economic-environmental conflicts. Corporate economic underperformance may come to an end at some point, but when that time comes is anyone's guess. When it comes to sustaining long-term development, every organization, including banking institutions like private commercial banks (PCBs), must have financial stability. Global funders and the Bangladesh central bank work together to support green banking policies, sector-specific reform activities and concessional refinancing and lending to financial institutions via Green Financing. Banks and non-bank financial organizations have already built a Green Finance Framework in Bangladesh to help with green development and environmental improvement, as a consequence.

A further benefit of green banking is that it has the ability to minimize carbon emissions both internally and externally. Private commercial banks (PCBs) and non-banking financial institutions (NBFIs) in

Bangladesh are pioneering green finance, in contrast to Bangladesh's state-owned and foreign-owned commercial banks (FCBs).

Every government has difficulties in implementing green money, but rising economies that rely on oil and gas production have the greatest obstacles.

According to the study, the company's capacity to fund green operations was hindered by a variety of institutional and financial reasons. There is a lack of financing in the biomass industry, a wide range of potential returns for investors, and a lack of funds for modest investments. A few of these problems include the lack of awareness of the company's technological skills and short-term investment products

Green finance development may be hindered by lack of knowledge and technical skills in both developed and developing nations, as a consequence of these factors. To put it another way, in a developing nation like Bangladesh, sustainable long-term financial growth is hampered by a lack of financial literacy.

CHAPTER TWO

2.0 Descriptive Analysis

2.1 Bangladesh Bank and Bangladesh Government initiating green finance

This includes green money, which is a subset of the wider notion of sustainable money. To ensure environmental, social, economic, and governmental sustainability, the Sustainable Development Goals (SDGs) of Bangladesh Bank's Sustainable Finance Division were given top priority (2010-2021).

When we talk about a climate-neutral, climate-resilient, low-carbon, more resource-efficient green economy that's also competitive and inclusive, we're talking about what we mean by "sustainably sustainable." Raising the finances required to accomplish policy objectives, such as national and international climate and sustainability obligations, requires a reliable source of sustainable financing.

Bangladesh, one of the world's poorest nations, has created a green fund to combat the effects of global warming and other natural climatic changes. As part of its Climate Change Strategy and Action Plan (BCCSAP), the government of Bangladesh has identified 44 distinct programming areas that fall under six broad categories. In order to speed up the approval process, an adaptation project aims to show how food security, social safety and health as well as infrastructure development would benefit the nation. Growth and reduction of carbon dioxide emissions.

Bangladesh has always been in the forefront of developing new financial legislation and processes. Bangladesh Bank has a primary goal of integrating green financing into the country's economy. Legal action and other measures have been employed by the Bangladeshi central bank in recent years to boost green funding. The country's central bank has established substantial laws to promote environmentally friendly practices in the financial sector. Green banking policy guidelines were originally announced by Bangladesh Bank in 2011 and required commercial banks to implement a three-tiered green banking system. It was mandated in 2013 that nonbank financial organizations create a green banking section as well as implement various internal initiatives and financing strategies.

2.1.1 Bangladesh Bank has implemented green measures

Since its inception, Bangladesh has been in the fore of the development of new financial rules and regulations. Bangladesh Bank has set itself the objective of integrating green financing into the country's economic system as a whole. In recent years, Bangladesh's central bank has taken legal and other measures to raise the amount of green monies in the country's coffers. Environmentally friendly activities in the financial industry have been adequately regulated by the country's central bank.

As part of the Bangladesh Bank's Green Banking Policy Guidelines, commercial banks were expected to develop a three-tier green banking system in 2011. Non-bank financial institutions were required to establish a green banking sector and adopt a variety of internal activities and funding techniques in 2013 as part of a mandate.

2.1.2 An enabling environment for the growth of green finance/banking

Additionally, the country's Green Banking practices need Bangladesh Bank rules and standards, as well as the active participation of governments, enterprises, non-governmental organizations (NGOs), and consumers. To improve environmental management, the Bangladeshi government has made a number of key moves in recent years.

The National Capacity Self Assessment project evaluated and created environmental rules and action plans from 2007 to 2010, in order to allow the country's environmental governance ability to be sustained. Environmental clearance criteria have been monitored and enforced by the Department of Energy. For 15 nations, the "Climate Change Trust Fund" represents a significant step forward. The fund was founded with 1400 crores of money in order to lessen the effect of calamities and natural calamity.

The Bangladesh Climate Change Sustainable Fund, which is valued at USD 113.5 million, has received funding from a number of international development organizations. Cyclone Center and Tree Planting are the two initiatives that will get the prize. The FY2011-2012 budget includes 16,000 hectares of block gardens, 3500 kilometers of strip forest, and 35 million seedlings. Additionally, in Bangladesh's capital of Dhaka, an initiative dubbed "Clean Air and Sustainable Environment" has begun investigating what contributes to air pollution and devising solutions.

2.1.3 Important criteria for green funding in Bangladesh

a) Proposals for government policy and regulation

Business factors, such as the taxpayer identification number, should be included in the Business Certification. As a result, government supervision of the projects is urgent. This is a practical measure that the administration can take right now. In addition, the relevant authorities should apply for the relocation of environmentally unsafe companies. In appropriate cases, the government may award rewards and impose fines.

b) Proposals for Bangladesh Bank policy and regulation

The Bangladesh Bank should take steps to formulate policies for the sector on the basis of environmental risks. These rules should be framed in such a way that all FIs / Banks have a consistent environment in the procedure of applications of green financing. In this regard, environmental risk considerations may be included in the Customer Relationship Management guidelines. Above all, their efforts should be consistent with the actions of the government.

c) Individual FI/bank initiatives proposed

Building self-awareness is the best step for a single organization. Small initiatives such as encouraging car sharing, promoting the environment through their advertising, blaming an individual for environmental compliance rather than cell formation, maintaining certain environmental standards when making loans, and many more can help the environment.

2.2 Banks and non-bank financial institutions as a green finance supporter

All banks and financial organizations in Bangladesh are subject to Bangladesh Bank's Green Money Act. As a result of these new requirements, NBFIs and banks are pushing for both direct and indirect green financing. NBFIs and banks must put aside at least 5% of their gross loan disbursement for green financing by January 2016. Direct green funding is decreasing in popularity as indirect green funding rises in popularity. Foreign commercial banks, non-bank financial institutions, state-owned commercial banks, and development finance institutions (DFIs) comprise 15.6% of all private commercial banks (PCBs) (Bangladesh Bank).

2.3 Green Equity Finance

Credit is granted on the basis of one's prior credit and business history. To put it another way, equity financiers provide money to firms in the early stages of growth, which are typically unable to acquire loans from banks due to their high success rate and growth potential. Rather of expecting a guarantee, equity financiers put their money where their mouths are, investing in the companies that they back. Investing with an impact has exploded in popularity in recent years. Investment in environmental effect is a great option for individuals who care about society's environmental impact.

Investments in companies, organizations, and funds with the purpose of generating social and environmental effect as well as a financial return are referred to as "impact investments". Including a financial advantage divides it from grant financing, while the purposeful approach for beneficial social impact separates it from typical investment. For a total of US\$1 billion, 15 impact investors have put their money into various Bangladesh initiatives that promise to have a good environmental, social and economic impact. This impact money includes 30 percent in the form of equity capital.(Bangladesh bank)

2.4 Challenges regarding green financing

To better understand the basics, bankers were surveyed on the level of their agreement or disagreement with the main obstacles that affect the development of green finance in Bangladesh. Table 1 shows the importance of Private Commercial Bank's major hurdles in implementing green finance in Bangladesh.

As a result, the financial authorities, particularly the Bangladesh Bank, should solve the fundamental difficulties preventing Private Commercial Banks (PCBS) in Bangladesh from implementing green finance.

Table 01: In Bangladesh, there are several obstacles to implementation.

Major challenges of green finance	Serial no.
-----------------------------------	------------

High transaction cost	1
Heavy default culture	2
Operational self-insufficiency	3
Improper appraisal of loan applications	4
Absence of adequate accountability and transparency	5
Less flexibility of repayment schedule	6
Absence of adequate legal responsibility	7
Maturity mismatch	8
Lack of green projects assessment skill	9
Poor corporate governance	10

Source: Authors' 2020 For more information, www.bb.org.bd;

Green funding program faces several challenges:

- It will be difficult for Bangladesh Bank to formulate appropriate policy on the basis of safety or environmental risk like sector division as Bangladesh Bank must compete with strong business group.
- Ensuring that initiatives are overseen by government employees from relevant sectors.
- Contributions to green financing/banking efforts should be increased.
- Investing in green projects should be a moral imperative for financial organizations.
- Green goods should be made available to the general population by financial institutions.
- Corresponding authorities should implement enforcement in order to relocate ecologically dangerous companies to remote locations.
- Strong enforcement of Effluent Treatment Plant in old industries.
- Incentivizing Financial Institution through ratings, such as adding additional green activity factors to the CAMELS rating.
- Renewable energy technologies make installation and upkeep simple and cost-effective.
- Supporting local academic and government research efforts.
- Develop policy making skills for specialized financial institutions / banks. Specialized training should be provided for the employees of a bank which has adopted green finance / banking practice.

2.5 Opportunities for Enhancing Green Finance

Various green financing / banking options are available. These possibilities are similar to Bangladesh's proposals for greater green banking practice. Environmental Management and Governance, Environmental Risk Management, Internal Environmental Performance, Volunteer and Leadership Initiatives and Environmental Reporting are all areas where key stakeholders need to play an active role in developing GB practice in Bangladesh.

CHAPTER THREE

3.1 Findings

3.1.1 The Present Scenario of Green Financing in Bangladesh

Bangladesh's financial industry is dominated by NBFIs, capital market intermediaries, insurance firms, and microfinance organizations (MFIs). Bangladesh Bank (BB) now supervises and manages 59 Scheduled Banks, 34 Non-Scheduled Financial Institutions, and five Non-Scheduled Banks (Bangladesh Bank, 2021). Bangladesh's banking industry, in contrast to developed nations and complicated markets, is capable of meeting the country's long and short-term financial demands in order to achieve long-term economic progress.

Green efforts were supported by a new report in 2015 from Bangladesh's state-owned banks (SCBs), development financial institutions, foreign-owned banks (FCBs), private commercial banks (PCBs), and non-bank financial organizations. According to the report, Bangladeshi banks and non-bank financial institutions (NBFIs) would have provided more than 1,805,541,19 million in funding by 2020. Green funds make up 78.12% of PCBs in Bangladesh, followed by FCBs (17%), NBFIs (4%) SCBs (1.17%), and DFIs (1.17 percent) (1.17 percent). (a mere 0.03% of the total). Banks and non-bank financial institutions (NBFIs) have sponsored green initiatives during the previous six years. With the exception of 2018 and 2020, PCB's Green Finance had positive growth, with annual growth rates of 84.53% and 11.04%. There has been a decrease in NBFI growth rates of 28.02 percent, 18.87 percent, 75.63 percent, and 18.53 percent for 2016, 2017, 2018, and 2020, respectively. As they invest in environmentally friendly businesses, PCBs might be considered a part of the country's "green" economy.

Table 2: Green financing by banks and NBFIs in Bangladesh from 2015 to 2020.

Sectors	2015	2016	2017	2018	2019	2020	Total	Sector-Wise Contributions
SCBs	3,977.70	3,248.20	7,220.60	1,815.20	1,219.44	1,908.91	19,390.05	1.07%
DFIs	349.00	30.10	18.90	45.40	3.56	9.83	456.79	0.03%
FCBs	71,514.30	78,316.10	101,524.90	192.60	19,213.16	34,332.69	305,093.75	16.90%
PCBs	366,233.20	404,485.00	425,944.50	65,904.30	78,316.88	69,668.75	1,410,552.63	78.12%

NBFIs	23,813.60	17,142.00	13,907.70	3,389.60	6,499.87	5,295.20	70,047.97	3.88%
Total (in Million BDT)	465887.80	503221.40	548,616.60	71347.100	105252.910	111215.38	1805541.19	

Source: Authors' calculations from annual and sustainability reports of Bangladesh Bank (BB) from 2015 to 2020. For more information, www.bb.org.bd;

Bangladeshi banks and non-bank financial entities has put money into green initiatives between 2015 and 2020. There are 34.49 percent of a bank's operations devoted to solid and waste management (24.64 percent), greenlight production (10.17 percent), structural recycling (14.43 percent), and recyclable goods. Renewable energy, energy, and energy in alternative finance accounted for 5.12%, 5.80%, 4.19%, and 0.16 percent of total consumption over the research period. Table 5 shows that NBFIs supports eco-friendly groups, including renewable energy (43.73 percent), green jute production (14.29 percent), energy (14.22 percent), and Green Yokta. Percentage (12.12%).

Recycling, recyclable and compostable materials as well as non-fossil fuels contributed for 4.16 percent, 1.42 percent, and 0.05 percent of the total green money raised by nonprofits in 2011. Politics Bank and NBFIs-led Green Finance saw negative growth from 2016 to 2020. Four permanent banks, with the exception of 2016, earn from investing in environmentally friendly businesses. NBFIs have been witnessing negative growth in green financing over the previous five years. Investing in eco-friendly structures like eco-friendly construction and lighting systems as well as eco-friendly TIT, banks play an essential role in the long-term economic performance of the nation.

Table 3. Sector-wise green finance by banks from 2015 to 2020 (amount in BDT million).

Sector-Wise GF	2015	2016	2017	2018	2019	2020	Total	Sector-Wise Contributions
Green brick manufacturing *	7,144.10	6,552.80	5,293.20	10,429.20	16,899.19	8,766.15	55,084.64	15.43%
Green establishment	3,889.40	4,769.80	4,846.60	10,611.70	32,613.52	66,390.18	123,121.20	34.49%
Renewable energy	2,951.90	1,835.60	2,584.80	2,831.70	2,156.08	2,603.83	14,963.91	4.19%
Waste management *	3,957.60	4,401.20	8,802.10	35,047.80	25,916.10	9,822.72	87,947.52	24.64%
Recycling and	2,385.70	4,358.70	6,096.20	3,743.10	11,108.68	8,594.00	36,286.38	10.17%

recyclable product								
Alternative energy	17.30	324.80	132.70	9.00	83.98	10.80	578.58	0.16%
Energy efficiency	1,492.70	2,405.00	3,120.90	3,156.30	3,798.78	6,726.07	20,699.75	5.80%
Others	4,422.10	910.30	1,625.30	2,128.80	6,176.70	3,007.16	18,270.36	5.12%
Total	26,260.80	25,558.20	32,501.80	67,957.60	98,753.03	105,920.91	356,952.34	100.00%

Source: Authors' calculations from annual and sustainability reports of Bangladesh Bank (BB) from 2015 to 2020. For more information, www.bb.org.bd

Table 4. Sector-wise green finance by NBFIs from 2015 to 2020 (amount in BDT million).

Sector-Wise GF	2015	2016	2017	2018	2019	2020	Total	Sector-Wise Contributions
Green brick manufacturing *	59.0	815.0	1,085.70	560.10	1,686.73	432.13	4,638.66	14.29%
Green establishment	80.00	256.00	900.20	658.30	1,689.69	350.00	3,934.19	12.12%
Renewable energy	6,249.30	3,660.20	1,859.00	523.90	1,286.34	942.36	14,521.10	44.73%
Waste management *	202.00	449.00	282.40	308.80	1,443.30	240.00	2,925.50	9.01%
Recycling and recyclable product	124.30	518.80	180.20	124.10	130.00	272.69	1,350.09	4.16%
Alternative energy	-	9.20	-	-	-	6.00	15.20	0.05%
Energy efficiency	81.70	125.30	277.40	1,080.60	232.81	2,819.03	4,616.84	14.22%
Others	43.20	19.30	1.20	133.80	31.00	233.00	461.50	1.42%
Total	6,839.50	5,852.80	4,586.10	3,389.60	6,499.87	5,295.21	32,463.08	100.00%

Source: Authors' calculations from annual and sustainability reports of Bangladesh Bank (BB) from 2015 to 2020.

Bangladeshi banks and non-bank financial entities will put money into green initiatives between 2015 and 2020. There are 34.49 percent of a bank's operations devoted to solid and waste management (24.64 percent), greenlight production (10.17 percent), structural recycling (14.43 percent), and recyclable goods. Renewable energy, energy, and energy in alternative finance accounted for 5.12%, 5.80%, 4.19%, and 0.16 percent of total consumption over the research period. Table 5 shows that NBFIs support eco-friendly groups, including renewable energy (43.73 percent), green jute production (14.29 percent), energy (14.22 percent), and Green Yokta. Percentage (12.12%). Recycling, recyclable and compostable materials as well as non-fossil fuels contributed for 4.16 percent, 1.42 percent, and 0.05 percent of the total green money raised by nonprofits in 2011. Politics Bank and NBFIs-led Green Finance saw negative growth from 2016 to 2020. Four permanent banks, with the exception of 2016, earn from investing in environmentally friendly businesses. NBFIs have been witnessing negative growth in green financing over the previous five years. Investing in eco-friendly structures like eco-friendly construction and lighting systems as well as eco-friendly TIT, banks play an essential role in the long-term economic performance of the nation.

3.2 Recommendation

3.2.1 The following suggestions are made in this paper:

- ✓ Enhance internet banking and finance. Supporting banks' green financing/banking strategies is critical. Online statement and bill payment decreases printing and postal costs while also reducing paper waste.
- ✓ The directors of the board should design and approve green finance policies, and the board should be in charge of policy review and updating.
- ✓ It is for this reason that a self-sufficient green banking and finance unit may take on more challenging tasks. As part of the Bank's continual efforts to develop its human resource pool, employees' understanding of environmental and social risks and challenges should be bolstered.
- ✓ The key hazards may include environmental risk. When providing loans, this should be taken into account.
- ✓ To begin, a bank must establish a list of all of its offices and branches' water, paper, power, and energy expenditures. Consumption of resources such as electricity, water, and paper should all be decreased significantly as a consequence. "Green workplace guidelines" may help workers learn how to conserve energy, water and paper when they use recyclable equipment. In order to save paper and minimize dependency on printed information, Internet communication should be utilized widely in the workplace (where accessible).
- ✓ The bank's portfolio has to be greened now, not later. Banks should concentrate on the green sector whenever feasible and exclude harmful sectors from their portfolios. Ecologically sensitive firms in the nation include those in the fields of agriculture and forestry as well as those that generate energy and produce medications.
- ✓ Use eco-finance to fund projects. Environmentally friendly behaviors may be bolstered through consumer financial efforts. Financial organizations may encourage consumers to purchase fuel-efficient vehicles by offering auto loans. Lenders may offer lower interest rates to consumers who borrow money to purchase a car with a clock hand located thousands of kilometers distant from their home.

- ✓ It is possible to form a worldwide community for green banking and financing. They will be the green financing/banking activities' regulating authority. The green activities of FIs/banks are formulated in the same way as the Basel committee formulates capital adequacy for banks. This committee will include high-ranking individuals. The committee should prioritize the nations that are most affected by the environment.

3.2.1 Practical Implications

Financial institutions, managers, bankers, government officials, consumers and investors gain from Bangladesh's long-term economic sustainability as a result of experimental study. This research looked at the long-term social, economic, and environmental consequences of Green Finance components on banks. The following are some of the study's most important policy findings: PCBs, then FCBs, were the primary sources of green money in Bangladesh for banks and NBFIs.

Keep bank managers as protections for long-term economic development of the nation, and encourage banks to engage in environmental-friendly operations. It has been shown that green businesses such as waste management, green brick manufacture, recyclable or recyclable goods and energy efficiency are more expensive for financial organizations such as banks and non-financial entities (NBFIs). Increased support for renewable, alternative, and energy-efficient activities is needed to boost the industry. The three primary GF components have led to a variety of distinct yet interconnected hypotheses (social, economic and environmental). It's for this reason that banks and non-bank financial institutions (NBFIs) should priorities social activities (such as local community and stakeholder involvement as well as brand awareness and employee benefits), as well as economic aspects (such as increasing competitive advantage and long-term benefits). Improvement. Overall risk and cost reduction are also important considerations (carbon emissions, reduced energy efficiency).

Banks are urged to prioritize green finance because of its relevance in the growth and development of the financial system. However, there is still a long way to go before the country can attain an appropriate level of green finance thanks to the banking plan. The moment has come to urge financial institutions to invest in green in order to promote more green finance and prevent environmental deterioration

3.3 Conclusion

With the goal of establishing green banking as a mainstream practice, Bangladesh Bank is leading the way in the local market by giving green money. When it comes to small business loans, lenders must now adhere to new government requirements requiring them to consider environmental and social factors. High processing costs involved with the distribution of green loans to small-scale entrepreneurs with little or terrible past credit record and a lack of investor expertise in environmental risk assessment make it risky to fund new green technology and other unproven green projects.

It has always been difficult for a nation like Bangladesh to overcome the inherent hazards of the green initiative. Because of the introduction of new technology and the potential for commercialization, green initiatives often carry certain functional risks. It is especially difficult to police IDCOL's SHS program in the case of customer failure since small enterprises who took the risk of selling or manufacturing green goods have financial issues. The risk profile might also be raised if green initiatives are vulnerable to changes in the law. To address the problems of popularizing green initiatives owing to the high risk involved with green goods and consumer demand, shared equity ownership among stakeholders might assist overcome these challenges.

This is why Bangladesh has to address a variety of policy concerns, such as enhancing the ability of banks and financial institutions, growing bond and stock markets, building a unified, long-term development strategy to promote green financing. Oversight and Guidance Organization.

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