

“Sustainability leads to increased revenue”

In conversation with Mirza Elias Uddin Ahmed, Managing Director & CEO, Jamuna Bank Limited

Adopting sustainable management can significantly enhance a bank's public image. It builds trust and enables us to expand our client base.

The Daily Star (TDS): Your bank has been recognized as one of the Top Banks and Financial Institutions in the 'Sustainability Rating 2022' by the Bangladesh Bank. What were the most innovative and impactful sustainable financing products or strategies you adopted to achieve this recognition?

Mirza Elias Uddin Ahmed (MEUA): We have addressed two critical gaps to achieve this sustainability recognition: the "knowing-doing" gap and the "compliance-competitive advantage" gap. Our commitment to sustainability sets us apart as we have transitioned from knowing to doing and from compliance to gaining a competitive advantage.

To enhance our total sustainability rating score, we have diligently focused on the Sustainable Finance Indicators. We explored all Green Finance and Sustainable Linked Finance products, prioritizing certain products/projects/initiatives for the effective enhancement of sustainable finance and our Green Finance portfolio. These include financing in green industries, energy efficient machinery, effluent treatment plant (ETP) financing, automated brick kiln, paper recycling plant, agriculture loans, and more.

TDS: How does your bank assess the creditworthiness and risk associated with sustainable financing projects compared to traditional projects?

MEUA: While traditional finance primarily concerns itself with return and risk, sustainable finance encompasses environmental and social considerations to measure impact. We evaluate the creditworthiness and risk of sustainable financing projects by taking into account factors such as the project's financial viability (e.g., leverage, liquidity, profitability, earning quality, debt service coverage, etc.), operational efficiency, performance behavior, business and

industry risks, management risks, security risks, environmental and social impacts, technical feasibility, risk mitigation strategies, credit history, regulatory compliance, and long-term sustainability. These assessments often require additional due diligence to address the unique aspects of sustainable projects.

TDS: How are you utilizing the Green Transformation Fund and the green refinancing programs that Bangladesh Bank offers?

MEUA: The Green Transformation Fund (GTF) facilitates access to finance for importing capital machinery and accessories for environmentally friendly initiatives, such as water use efficiency in wet processing, water conservation and management, waste management, resource efficiency and recycling, renewable energy, energy

efficiency, heat and temperature management.

Jamuna Bank is eager to utilize Bangladesh Bank's green refinance schemes, particularly the Green Transformation Fund, and has accordingly signed an agreement with Bangladesh Bank. Several clients are currently availing the refinance facilities through our Bank.

TDS: What is your plan for future to guide your bank with this sustainable spirit?

MEUA: Adopting sustainable management can significantly enhance a bank's public image.

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Sustainable technology is renowned for cost savings and increased productivity. Improved productivity results in higher output, and reduced costs demonstrate efficient resource and equipment utilization. Sustainability also plays a crucial role in waste reduction. Businesses adopting sustainable management can reduce their waste footprint by transitioning to sustainable products in both production and consumption. Another crucial aspect impacted by sustainability is profitability. It leads to increased revenue for the bank and ensures the utmost satisfaction of stakeholders and the workforce.

TDS: What do you expect from the government to make the banking sector more sustainable?

MEUA: The government should undertake projects that raise awareness in the banking sector regarding green banking, which encompasses all social, environmental, and ecological factors and is often referred to as ethical or sustainable banking. Online banking is one example of a green banking initiative that the government should emphasize compliance with.

Furthermore, other initiatives may include developing a clear regulatory framework defining sustainability standards and reporting requirements for banks, offering financial incentives for green investments, collaborating with international organizations, encouraging banks to expand financial services to underserved and vulnerable populations, and promoting greater financial inclusion and socioeconomic stability.



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People's awareness of sustainable financing is also limited, but trade bodies are now working on it, he said. Citing the global climate risk index, he mentioned that Bangladesh is the 7th most vulnerable country to climate change, so there should be an increased focus on sustainable finance.

According to Bangladesh Bank data, lenders provided loans of Tk 36,694 crore in sustainable finance, which accounted for 13.77 percent of the total loans in the banking sector during the January to March period of 2023.

"We have a long way to go," he added.

Banks should also introduce new products related to sustainable financing to support the green economy, as it is a costly investment, and entrepreneurs need the lending, added Rahman, who is also a former chairman of the Association of Bankers, Bangladesh Limited.

According to BB data, most of the sustainable funds went to the agriculture sector, amounting to Tk 9,387 crore. In socially responsible financing and working capital for green projects, banks and NBFIs lent Tk 7,969 crore and Tk 7,343 crore, respectively.

Plummy Fashions ventured into green finance in 2014 when the concept of sustainable financing was still novel in the country, particularly within the RMG sector. Fazlul Hoque, managing director of Plummy Fashions, pointed out that the green financing came from the central bank's refinancing fund, resulting in a comparatively low-interest rate for the loan. During that period, the prevailing interest rate in the banking sector ranged from 14 to 15 percent, whereas the



company secured the loan at a 9 percent interest rate. Hoque remarked, "So, it was appealing at that time due to the 6 to 7 percent interest rate difference."

He further noted that without the availability of the loan, the company would have had to abandon the project, as it was a financially burdensome undertaking. Building a green factory requires substantial investment, and high-interest rates can pose significant challenges.

"A green factory provides satisfaction as

it ensures responsible business practices," he added. "It also enhances the company's international image, thereby expanding marketing opportunities."

Currently, the interest rate differential between general loans and green financing is minimal. Moreover, the requirements and conditions for green financing are more stringent, according to Hoque, who also serves as a former president of BKMEA.

In February of the previous year, Green Textile Limited Unit 4, a joint venture between the Epic Group and Envoy Legacy of Bangladesh, achieved a score of 104 out of 110, the highest globally. As a result, it earned the distinction of being the world's highest-rated platinum green factory, topping the list of the international green building certification agency. Bangladesh now boasts both the highest-rated and the highest number of green garment factories globally.

In recent years, numerous factories, not limited to RMG companies, have expressed a growing interest in making their facilities more environmentally friendly. In 2021, Pran Agro Ltd, a subsidiary of Pran-RFL Group, raised funds amounting to Tk 150 crore by issuing green bonds, intending to utilize the proceeds for activities such as recycling wastewater, waste decomposition, and promoting land preservation through contract-based organic farming.

During the same year, Sajida Foundation introduced the country's first ever green zero-coupon bond, valued at Tk 100 crore, to finance various environmentally friendly and energy-efficient initiatives targeting the micro-credit and SME clients of Sajida Foundation.