

EXPAND REFINANCING programmes



In conversation with Mohammad Rafiqul Islam, Managing Director, United Finance Limited

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The Daily Star (TDS): United Finance has been recognised as a top performer in the 'Sustainability Rating 2023' by Bangladesh Bank. What are the most innovative and impactful sustainable financing products or strategies that contributed to this achievement?

Mohammad Rafiqul Islam (MRI): United Finance Limited is honoured to be recognised as one of the top institutions in the 'Sustainability Rating 2023' by Bangladesh Bank. This accolade underscores our commitment to fostering economic development while prioritising environmental and social sustainability, alongside maintaining robust core banking performance.

A key pillar of our success is our focus on green and sustainable financing, supporting projects in renewable energy, energy-efficient technologies, and sustainable infrastructure. These initiatives are strategically designed to drive systemic change towards a sustainable future while ensuring financial stability.

Our innovative approach is supported by a strong impact assessment framework, which allows us to evaluate the environmental and social effects of our lending practices. This ensures that our financial products deliver positive outcomes while aligning with broader sustainability goals, reinforcing our

commitment to transparency.

Equally, we prioritise robust core performance ratios, including profitability, liquidity, capital adequacy, and a healthy Non-Performing Loan (NPL) ratio. By aligning green financing with these metrics, we ensure that our sustainability efforts enhance financial stability through long-term value creation and risk mitigation.

We have also cultivated partnerships with development agencies and financial institutions, broadening the impact of our sustainable finance initiatives. These collaborations enable us to drive innovation, amplify our efforts, and strengthen our financial performance.

By balancing sustainability with strong core banking metrics, United Finance advances sustainability within the financial sector while ensuring financial health. This dual focus allows us to address urgent societal and environmental challenges, working towards a sustainable and financially sound future for Bangladesh.

TDS: What future plans does United Finance have to further enhance sustainability within the financial sector?

MRI: Looking ahead, United Finance is steadfast in its commitment to advancing sustainability within the financial sector through strategic and innovative actions. We recognise

that the journey towards sustainability is ongoing, and as such, we have outlined several key initiatives to further enhance our contributions in this area.

A primary focus of our future plans is the expansion of our sustainable financing portfolio, with particular emphasis on supporting renewable energy projects and other environmentally responsible initiatives. By increasing our investment in these areas, we aim to play a pivotal role in driving the transition to a low-carbon economy.

In addition to expanding our product offerings, we are also committed to integrating digital innovations into our sustainability efforts. We believe that digital technologies hold immense potential to revolutionise green financing by making it more accessible, efficient, and impactful. By adopting and implementing these technologies, we can streamline our operations, reduce our carbon footprint, and enhance the overall effectiveness of our sustainable finance initiatives.

Strengthening our partnerships with key stakeholders will continue to be a central pillar of our strategy. We recognise that sustainability is a collective effort, and by fostering a collaborative approach, we can drive greater innovation and achieve more substantial results. By promoting environmental consciousness and integrating sustainable practices

across all levels of our organisation, United Finance aims to be a catalyst for sustainable growth and development in the financial industry.

TDS: What forms of government support would be most effective in advancing the efforts in sustainable finance?

MRI: To effectively advance sustainable finance, we believe that targeted government support is crucial. Several key areas where government intervention could significantly enhance our efforts and those of the broader financial sector in driving sustainability include:

One of the most impactful forms of support would be the expansion of refinancing programmes specifically designed for green and sustainable projects. By providing access to lower-cost capital, these programmes would enable financial institutions like United Finance to offer more competitive rates on sustainable financing products, thereby encouraging greater uptake among businesses and consumers.

In addition to refinancing programmes, targeted incentives and subsidies for green projects would serve as a powerful catalyst for sustainability. Such incentives could help offset the higher upfront costs associated with sustainable technologies and infrastructure, making them more accessible and attractive to a wider range of stakeholders. Furthermore, implementing a lower general provision requirement for green financing could significantly enhance its appeal.

A lower provision requirement would encourage banks and financial institutions to allocate more resources to green projects. This combination of incentives, subsidies, and favourable regulatory provisions would drive greater investment in sustainable initiatives and accelerate the transition to a more sustainable economy.

Increasing public awareness of eco-friendly financial products is another key area where government support can make a significant impact. Government investment in education and awareness campaigns can shift consumer behaviour towards more sustainable choices, thereby boosting demand for green financial products and services. Moreover, fostering collaboration between the public and private sectors is essential for spurring innovation in sustainable technologies and practices.

Finally, offering specialised training for the financial sector on green finance and sustainable practices is essential for ensuring that the sector is equipped to manage the green transition. Promoting adherence to green banking principles across the sector, improving access to financial services for underserved communities, and partnering with international organisations will also be crucial in advancing the overarching goal of a sustainable and equitable financial system.

GREENING BANKING PRACTICES

MIFTAHUL JANNAT

As resource depletion and climate change become pressing issues, all sectors are moving towards sustainable practices to ensure long-term growth. The banking sector in Bangladesh is also stepping up to the challenge by expanding service coverage in ways that contribute to sustainable finance. Many banks and NBFIs have integrated environmental, social, and governance (ESG) considerations into their operations and investment decisions to drive the transition to a more sustainable economy. From reducing carbon footprints to financing green projects, banks in Bangladesh are using their growing networks to champion a future where finance is intertwined with sustainability.

BRAC Bank, one of the largest banks in the country, operates 187 branches, 47 sub-branches, and more than 500 SME unit offices. The bank prioritises SME financing for productive employment creation in an environmentally friendly manner. "We have the widest coverage in terms of SME financing. SMEs can be volatile and financing them is risky, yet SME financing is a crucial part of sustainable finance. We have the largest SME portfolio and we incorporated environmental and social risk management into all our SME financing," said Md. Sabbir Hossain, Deputy Managing Director & Chief Sustainability Officer at BRAC Bank. The bank has dedicated teams within their SME Banking division that play a significant role in catering to the specific needs of regional SMEs. They also provide liquidity support to emerging small businesses, including cottage and micro industries. According to the bank's latest sustainability report, they have achieved a BDT 100 crore portfolio milestone within a short period.

Additionally, BRAC Bank has adopted digital banking and green banking initiatives to reduce climate change and ESG risks. "We encourage our customers to use electronic and alternative platforms for paperless banking. Over 21.15 million transactions worth more than BDT 2 billion were completed through our online platforms ASTHA and CorpNet in 2023. All these efforts aim to minimise the carbon footprint of our banking activities," added Hossain. The bank has also developed a green office guideline, with their head office and 21 branches equipped with renewable energy power sources. They are committed

to building more green and environmentally friendly establishments to enhance in-house sustainability.

Mutual Trust Bank (MTB) is making significant strides towards financial sustainability through both its internal operations and lending practices. They have developed a comprehensive on-site and off-site management system for their green loan bookings across various branches. Sustainable finance help desks are available at 75 of their branches, where customers are educated about sustainable and green finance schemes. "We implement environmental and social credit appraisal when disbursing loans under our green portfolio. An Environmental and Social Management System (ESMS) framework is in place to identify, assess, manage, and monitor the environmental and social risks associated with our lending and investment activities," said Syed Mahubur Rahman, Managing Director & CEO of

MTB. MTB not only finances green projects in the CMSME sector, RMG, textiles, and green agriculture but also conducts scheduled visits to ensure that the businesses they finance adhere to green practices. To ensure resource efficiency, they use rainwater harvesting, renewable energy, and motion-sensitive lights in their head office and branches. Many of their agent outlets are powered by solar panels. To reduce paper usage and the carbon footprint of their banking activities, they have developed a comprehensive digital product suite, including Digital Onboarding for retail and SME customers, quick digital loans, and wealth management tools.

Dhaka Bank operates 113 branches, 3 SME centres, 83 ATMs, and other facilities across 33 districts, with ongoing efforts to promote green finance and sustainability goals through training, customer education, and regular branch meetings. It has 28

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rural branches and 4 sub-branches in addition to its urban branches. "Our rural branches play a significant role in sustainable and green finance activities. We finance green projects and agriculture and ensure service coverage in marginalised areas through these branches," remarked Fakhru Abidin Milon, Head of CRM & SFU at Dhaka Bank. Each branch of the bank is instructed to create a database of potential clients for green and sustainable finance and to address their needs accordingly.

The bank educates customers about the benefits of sustainable and green products, provides regular in-house training for branch officials, and promotes these products through its social media channels. Additionally, it conducts monthly follow-ups with branches to ensure they meet their green and sustainable finance targets. The bank's head office has solar panels installed, and there are plans to extend this initiative to other branches to reduce energy consumption and greenhouse gas emissions. The bank also encourages employees to adopt sustainable practices, such as reducing paper and energy use. Its activities also include social sustainability efforts, such as providing financial assistance to underprivileged students for education and improving healthcare services in rural areas. The use of their online app and e-lending services has streamlined account opening and loan disbursement processes, significantly reducing paper use.

Bank Asia provides services across the country through its 135 branches, including 4 SME agricultural branches and more than 5000 agent outlets. Its agent banking network reaches a wide customer base through individuals, institutions, UDCs, passport offices, and post offices. This accessible banking coverage significantly reduces the carbon footprint, as 70% of the bank's total cash transactions are conducted through ATMs, and 267,872 active users avail of internet banking services. Moreover, the bank makes environmentally friendly investments and provides agricultural credit for marginal farmers at lower interest rates.

"Our green help desks provide information about our green products, low-interest refinance

options, and Bangladesh Bank's schemes, through which our customers can obtain loans at 6.7% interest instead of the standard 12-13%," said Muhammad Mynul Hossain, First Vice President, Credit Risk Management at Bank Asia. As part of their sustainable efforts, they promote gender equity at the management level and have adopted in-house green practices for using energy and resources efficiently.

NBFIs, including IPDC Finance and United Finance, are extending their service coverage to promote environmental, social, and sustainable governance initiatives. "We opted for branch-based banking and process automation in urban areas. All data is collected through access points. As the software updates seamlessly, e-documents are transferred between branches, greatly reducing hassle and paper consumption," shared Imran Khan, Deputy General Manager, Head of Sustainable Finance at IPDC. The access points also serve to promote consumer awareness regarding sustainable and green finance.

United Finance has integrated digital platforms, MFS, and IFS servers, and streamlined its operations through an automatic approval process to reduce the carbon footprint of its banking activities. "Our entire distribution channel operates through 21 branches and 2 unit offices. This network covers the whole country in a cost-effective and sustainable manner, as we continually adopt new initiatives with a focus on going green in all our activities," said Sudip Saha, Head of SME at United Finance. They have established Sustainable Desks and Green Desks at all their branches. The Sustainable Desks provide information on green loans, build sustainability awareness, and manage client-level interactions, whereas the Green Desks monitor in-house sustainability practices, including paper consumption and electricity wastage. They use credit policy guidelines to prioritise green ventures when distributing loans. Each desk is managed by a designated sustainable finance expert who provides strategic advice to clients on accessing green financing or refinancing schemes while complying with established practices for green or sustainable business.

Banks and NBFIs can play a crucial intermediary role in achieving sustainability by strategically extending their service coverage to make loans and liquidity support available for a wide range of green projects, SMEs, and businesses. By adopting green office practices and reducing carbon footprints from banking activities, the banking sector can leverage its extensive networks to create a future where banking translates to sustainability.

