

BANKING ON SUSTAINABILITY

How Bangladesh is Building a Greener Future

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Sustainable finance is emerging as a defining theme for the banking industry in Bangladesh, a country that is acutely vulnerable to the impacts of climate change. Recognising this urgency, Bangladesh Bank introduced the sustainability rating system in 2020. According to the central bank's Sustainability Finance Report 2024, ten private commercial banks and two financial institutions have been rated as sustainable financial institutions. The evaluation is based on five key indicators: the Sustainable Finance Index, CSR activities, green project financing, the Core Banking Sustainability Index, and Banking Services Coverage.

"Sustainable finance is quality finance where the process duly

honours the environment and society. It is an important aspect of the banking sector itself—for the banks' own health—by keeping the rate of non-performing loans low, maintaining depositors' confidence, and supporting SMEs, the true drivers of enterprise in the country," explains Prof Dr Mainul Islam, former professor of economics at Chittagong University.

He elaborates that sustainable finance includes financing key sectors such as agriculture, ensuring inclusive financing for CMSMEs and low-income groups, promoting green financing, maintaining transparency, and engaging in philanthropic activities. In this regard, he stresses the need for greater participation from banks, pointing out that sustainable finance in Bangladesh has

so far not developed a negative track record.

The central bank's Quarterly Review Report on Sustainable Finance shows encouraging growth. During January–March 2025, the total contribution of Green Finance by banks and financial institutions stood at BDT 8,763.47 crore, an increase of BDT 117.78 crore from the October–December 2024

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