Research Monograph 52

Achieving SDGs in Bangladesh: The Role of the Banking Sector

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Foreword

As part of the ongoing dissemination of BIBM research outputs, the present research monograph contains the findings of the research project: "Achieving SDGs in Bangladesh: The Role of the Banking Sector".

BIBM publishes all of its research outcome in different titles depending on the nature of the report. The present research monograph contains the findings of the research project: "Achieving SDGs in Bangladesh: The Role of Banking Sector" The SDG framework includes 17 Sustainable Development Goals, 169 supporting targets and 230 development reflecting indicators. Five out of the seventeen goals of SDGs are directly linked with banks. The research team has attempted to identify the linkage between the SDG and the banking sector and examine the status and progress of the banking sector in line with the attainment of SDG. It gives me immense satisfaction, on behalf of BIBM, to disseminate this valuable academic resource having significant policy implications to the practitioners of the banks and financial institutions, regulatory agencies, policy makers as well as to the academics and common readers. I hope, this monograph will enrich our understanding in finding the optimal uses of the financial resources for achieving SDG.

We look forward to get feedback from our esteemed readers on this issue which certainly would help us improve upon our research activities in the years to ahead.

Md. Akhtaruzzaman, Ph.D.
Director General, BIBM

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Achieving SDGs in Bangladesh: The Role of the Banking Sector

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Abbreviations

ACSPD	Credit and Special Programmes Department
ADB	Asian Development Bank
BB	Bangladesh Bank
BCCSAP	Bangladesh Climate Change Strategy and Action Plan
BDPC	Bangladesh Disaster Preparedness Centre
BDT	Bangaldeshi Taka
BGMEA	Bangladesh Garment Manufacturers and Exporters Association
BIBM	Bangladesh Institute of Bank Management
BIFC	Bangladesh Industrial Finance Company
BIFFL	Bangladesh Infrastructure Finance Fund Limited
BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
BRPD	Banking Regulation and Policy Department
CRF	Climate Risk Fund
CSR	Corporate Social Responsibility
DANIDA	Danish International Development Agency
DOS	Department of Off-Site Supervision
EDF	Export Development Fund
ESRM	Environment and Social Risk Management
ETP	Effluent Treatment Plant
EU	European Union
FAO	Food and Agriculture Organization
FCBs	Foreign Commercial Banks
FY	Fiscal Year
G20	Group20
GBCSRD	Green Banking and CSR Department
GDP	Gross Domestic Products
GED	General Economics Division
GoB	Government of Bangladesh
GTF	Green Transformation Fund
HHK	Hybrid Hoffman Kiln
HSBC	Hongkong and Shanghai Banking Corporation Limited
IIDFC	Industrial and Infrastructure Development Finance Company Limited
IT	Information Technology
LDC	Least Developed Country
MDG	Millennium Development Goals
MFIs	Microfinance Institutions
MFN	Micro Finance Network

MIS	Management Information System
MTBL	Mutual Trust Bank Limited
NAPA	National Adaptation Program of Action
NBFIs	Non-Bank Financial Institutions
NGOs	Non-Government Organizations
NPDM	National Plan for Disaster Management
NPL	Non-Performing Loan
OECD	Organisation for Economic Co-operation and Development
PCBs	Private Commercial Banks
PKSF	Palli Karma-Sahayak Foundation
RMG	Ready Made Garments
SAP	Solar Assembly Plant
SCB	Standard Chartered Bank
SDGs	Sustainable Development Goals
SFD	Sustainable Finance Department
SHS	Solar Home System
SIDA	Swedish International Cooperation Development Agency
SME	Small and Medium Enterprise
UN	United Nations
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	US Dollar

Executive Summary

The Sustainable Development Goals (SDGs) are a collection of 17 global goals set by the United Nations Development Programme. The document containing these goals was adopted at the UN Sustainable Development Summit on September 25, 2015, in New York to be achieved by 2030. The SDG framework includes 17 Sustainable Development Goals, 169 supporting targets and 230 development reflecting indicators. The goals are broad and each of the goals has a separate list of targets to achieve. The SDGs cover social and economic development issues like poverty, health, education, global warming, gender equality, sanitation, energy, environment, social justice etc. SDGs are thus much broader than the earlier somewhat similar Millennium Development Goals (MDGs). Moreover, MDGs focused mainly on the developing countries whereas SDGs are universal and designed for both developed and developing world.

As the SDGs are based varied in nature, responsibility for achieving them will be shared between states, the private sector, scientific community, civil society and most importantly the financing sector. Without the proper target-oriented participation from the financial sector, it is not possible to promote sustained, inclusive and sustainable economic growth which is one of the important goals under the framework of SDGs. As the financial sector in Bangladesh is dominated by the banking sector, the level of growth and stability of the banking sector will be critical in achieving some goals which have a direct link with the financial sector. The government of the People's Republic of Bangladesh has already started mapping various Ministries and agencies with SDGs and its targets. Various national plans like a national perspective plan, seventh five-year plan have been aligned with SDGs. Simultaneously; Bangladesh Bank has also aligned SDGs and its targets with various departments, linking their regular functions and activities. action committee headed by an Additional Secretary.

As it is a very early stage to measure the performance of various agencies/sectors of the economy to achieve SDGs, it is possibly high time to specify the linkages of the banking sector with SDGs and its targets. The Government of Bangladesh, Bangladesh Bank and other related agencies have started to set priority on achieving the different goals under SDGs. A closer look at the SDGs reveals that five out of the seventeen goals of SDGs are directly linked with banks. With this background, the objectives of the study are (i) to identify the linkage between the SDG and the banking sector and (ii) to examine the status and progress of the banking sector in line with the attainment of SDG. The study is mainly based on secondary data collected from various publications of Bangladesh Bank, Bangladesh Bureau of Statistics and different International Agencies. The research team also discussed with a few senior executives of Planning Commission and Bangladesh Bank about the implementation plan of SDGs.

The study found that six out of seventeen SDGs are directly related with the activities of the banking sector of Bangladesh. These are - end poverty in all its forms everywhere (Goal 1); end hunger, achieve food security and improved nutrition and promote sustainable agriculture (Goal 2); ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (Goal 4)**;** achieve gender equality and empower all women and girls (Goal 5); promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (Goal 8); and reduce inequality within and among countries (Goal 10). As a central bank, BB is lining up its various policies like monetary policy, exchange rate policy, banking regulation policy, agricultural credit policy, sustainable financing policy, CSR policy, SME financing policy in line with SDGs.

The Sustainable Development Goals 2, 8 and 10 are closely related with various financial inclusion initiatives taken by BB. To ensure timely and adequate flows of agricultural credit, Bangladesh Bank fixed annual target to be disbursed by the banking sector. The target amount has been increased continuously from a level of Tk. 43.8 billion in FY04 to Tk. 204 billion in FY18. Credit disbursement in agriculture fairly exceeded the target at least for the last six years. Consequently, food production has gone up by many folds. Also, agricultural credit to sharecroppers and women entrepreneurs, having significant contribution in achieving poverty reduction, gender equality, and economic growth as well, increased during FY2010-FY2018. Credit to sharecroppers and women entrepreneurs increased sharply from Taka 9.14 billion and 9.0 billion in FY15 respectively to Taka 18.47 billion and Taka 62.00 billion in FY18. Recent performance of credit to agriculture, sharecroppers and women entrepreneurs must be continued with strict monitoring strategies for promoting sustainable agriculture.

SME financing is directly related to achieving SDGs, as it helps employment generation, reduces poverty and inequality through increasing access to finance of unbanked segment of the population as well as women entrepreneurs. The year wise target amount of SME loan set by Bangladesh Bank has been increased continuously from a level of Tk. 590 billion in 2012 to Tk.1339 billion in 2017. The disbursement of SME loan exceeded the target by a sizable amount over the period 2012-17, although the proportion of SME loan to total loans of banks remained almost stagnant in the range of 15 to 18 percent during 2014-2017. Although banks' financing to SME is contributing to achieving various SDGs, the proportion of SME loan remained very low. So, it should be increased progressively to facilitate implementation of the goals by 2030, with due consideration given to ensuring quality of disbursement.

Green banking and CSR activities are strongly related with a number of SDGs. Bangladesh Bank has issued a number of regulatory requirements and incentives for strengthening green banking and CSR activities. The lion share (75 percent) of green finance is facilitated by PCBs of the country. Moreover, three-fourths of the total clients of green financing is from the rural economy of Bangladesh and 65 percent of the total clients of green finance belong to the solar energy sector with 30 percent from other renewable energy sectors. However, the growth of green finance did not follow any smooth trend which is not conducive to achieving SDGs by 2030. Moreover, banks in Bangladesh are asked to allocate 10 percent of CSR fund as climate risk fund. But, market status shows that a number of banks could not comply with this requirement due to knowledge gap on climate change projects, limited methodology to finance, and lack of innovative products. Green financing needs to be encouraged by introducing proper awareness programs. Additionally, elimination of knowledge gap among customers and bankers is required to successfully implement the number of green banking initiatives of Bangladesh Bank.

There is a huge knowledge gap in the banking community as to how to incorporate the sustainable development goals with their banking activities. For this reason, the Bangladeshi banking community may not be able to connect them with this global agenda. Although top and middle management level staff members are, to some extent, aware of SDGs, the operational teams are mostly detached with the incorporation of these goals in their regular banking activities. Lack of awareness and absence of proper knowledge dissemination are the main reasons for these gaps. A wide range of awareness and training programs are required to eliminate the knowledge and awareness gaps between the bankers and customers to ensure proper integration of SDGs with banking activities.

Above all, understanding and awareness of the bankers as well as the customers regarding the paramount importance of achieving SDGs in the long run must be enhanced. Further policy initiatives, if necessary, may be formulated and to strengthen awareness campaigns.

Achieving SDGs in Bangladesh: The Role of the Banking Sector

1. Introduction

1.1 Background

The first United Nations Conference on Environment and Development held in Rio, in 1992 led to an agreement among 189 member countries under the umbrella of the United Nations on the Millennium Development Goals (MDGs) by signing the Millennium Declaration (for the LDCs/developing countries only) in 2000. That declaration was, in fact, a major breakthrough known as Millennium Development Goals (MDGs) to achieve a high living standard for the people across the countries through attaining a satisfactory level of progress in the areas of human capital, infrastructure, and human right. That was the first time that the international community had set global development goals along with a series of time-bound targets, and a target date for implementation of end-2015. Despite the successes of the MDGs as a robust framework for development activities, a number of limitations were identified during their implementation, including: weak integration of social, economic and environmental aspects, or a lack of balance between these factors; over-emphasis of quantitative targets and lack of necessary focus on qualitative results; lack of accountability, partly because the MDGs were not formulated by taking local circumstances into consideration in the developing nations at which they were targeted.

At this stage, a resolution, known as the Future We Want, was reached by the member states at the Rio+20 conference in 2012. Later on, the UN General Assembly's Open Working Group (OWG) on Sustainable Development Goals (SDGs) forwarded a proposal prepared in light of the experience with the MDGs, and by incorporating additional dimensions of sustainability, to the General Assembly on July 19, 2014. Finally, a document was adopted at the UN Sustainable Development Summit on September 25, 2015, in New York to be achieved by 2030. Sustainable Development Goals were officially declared as "Transforming Our World: the 2030 Agenda for Sustainable Development" [effective from January 2016].

The objective of the agenda is to continue the unfinished agenda of the MDGs. Actually, this is supposed to work as a bridge between MDGs and SDGs. A main distinctive feature of this agenda is that it is for all developed and developing nations where MDGs was set for LDCs/developing nations only. It will be evaluated both qualitatively and quantitatively. Its core philosophy is to "build a better world with no one left behind". Hence, it will be more comprehensive and inclusive. Although the performance of MDGs was at a satisfactory level, achievement of SDGs seems to be more arduous and challenging as the latter one is more comprehensive and broad-based.

As SDGs are universal and designed for both developed and developing world, sustainable development needs to be clearly understood. Many men/ institutions have defined sustainable development in many ways. In other words, no single definition can satisfy all. Sustainable development is the organizing principle for meeting human development goals while at the same time sustaining the ability of natural systems to provide the natural resources and ecosystem services upon which the economy and society depend. The desired result is a state of society where living conditions and resource use continue to meet human needs without undermining the integrity and stability. Though concept of sustainable development has not been defined uniformly the most frequently quoted definition is from Our Common Future, also known as the Brundtland Report: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” Sustainable development is thus about maintaining an equilibrium between human activity and the natural environment. Naturally, it involves a fine balance between the economic, social and environmental needs and expectations of various stakeholders.

Thus, SDGs address the economic, social and environmental dimensions of sustainable development in a more comprehensive and integrated manner. The final framework includes 17 Sustainable Development Goals, 169 supporting targets and 230 development reflecting indicators. AS SDGs are broad-based,169 supporting targets are set to achieve the goals. The majority of the targets are action-oriented, but a small number of them are a means of implementation. The Agenda’s goals include the eradication of extreme poverty, gender equality, and sustainable economic growth, amongst other topics. The SDGs seek to end poverty in all its forms everywhere. The MDGs succeeded in reducing the number of people living in extreme poverty globally from 1.9 billion to 836 million which means over a billion people have been lifted out of extreme poverty from 1990. Just as the global commitment brought about diverse effort to achieve the MDGs, similar willingness by Donor agencies, NGOs, private investments and the support from governments, is needed to eradicate poverty in all its forms. There is a need for a shift from policies that have allowed a growing gap between rich and poor to progressive policies that redistribute resources. According to researchers, increase in spatial inequalities and a higher incidence of rural poverty despite overall economic growth is associated with some macro-level economic policies (Suri *et al.*, 2011, p. 21; Ang, 2010, p. 457).

Improving well-being is a key goal for the SDGs. Ricard (2015, p. 1) has emphasized that to achieve the SDGs, we need to improve personal well-being, societal cohesion and greater cooperation with our future. We need to move to the next level of cooperation to face the many challenges of our times. In cooperative societies, individuals trust one another and are prepared to devote time and resources to others which create solidarity and reciprocity that nurtures harmonious relationships. To address the issues of collective goods and poverty in the midst of plenty, it needs to bring about the voice of care and altruism. The economy must exist to serve society, not to be served by society. A healthy economy must abhor disproportionate inequality but encourage altruism, which is having more considerations for others. Sachs (2012, p. 2209) argues that the quality of governance at all levels will remain the basic determinant of the world's ability to achieve sustainable development. Specifically, government, official agencies, and private companies should cooperate to finance and provide essential public goods and protect the interests of future generations.

Today, poverty is highly concentrated, with 70 percent of the world's extreme poor living in just 10 countries: Bangladesh, China, the Democratic Republic of Congo, Ethiopia, India, Indonesia, Madagascar, Nigeria, Pakistan, and Tanzania (IMF and World Bank 2015). Access to financial institutions and products allows people to gain higher returns on capital. This leads to increases in their income and consequently affects economic growth. King and Levine (1993) also echoed the same by saying that effective financial systems can mobilize savings to finance productiv economic ventures and improve the probability of successful innovations.

Farmers who have access to financial services often produce more bountiful harvests, leading to progress on the second SDG: reducing hunger and promoting food security. According to the UN Food and Agricultural Organization (FAO), about 795 million people globally are undernourished, with most living in rural areas neglected by the financial system. Addressing the second goal of SDGs, FAO (2015) revealed that, a lack of access to credit and insurance prevents farmers from making investments that could increase crop yields and strengthen food security (FAO 2015). Though all sectors of the economy must play their essential and indivisible role, a financial sector especially the banking sector in Bangladesh has, therefore, paramount importance in achieving SDGs.

As the SDGs are varied in nature, responsibility for achieving them will be shared between states, the private sector, scientific community, civil society and most importantly the financing sector. Without the proper target-oriented participation from the financial sector, it is not possible to promote sustained, inclusive and sustainable economic growth which is one of the important goals under the framework of SDGs. The financial sector of any country is said to be the heart of the economy while the banking system is said to be the blood circulation in it. As the financial sector in Bangladesh is dominated by the banking sector, the level of growth and stability of the banking sector will be critical in achieving some goals which have a direct link with the financial sector. The government of the People's Republic of Bangladesh has already started mapping various Ministries and agencies with SDGs and its targets. Various national plans like a national perspective plan, seventh five-year plan have been aligned with SDGs. Simultaneously; Bangladesh Bank has also aligned SDGs and its targets with various departments, linking their regular functions and activities. Bangladesh Bank has selected primarily the following departments Monetary Policy Department, Banking Regulation and Policy Department, Agricultural Credit Department, SME & Special Programs Department, Sustainable Finance Department, Financial Inclusion Department, Financial Stability Department, Payment Systems Department, Department of Financial Institutions and Markets, Foreign Exchange Policy Department, Debt Management Department, Financial Sector Support and Strategic Planning Department, Bangladesh Financial Intelligence Unit, Grihayan Tahbil & Fund Management Unit, Statistics Department (Department of Off-site Supervision, Credit Information Bureau, Information Systems and Development Department) to be associated with at least five out of seventeen goals of SDGs. The departments are actively playing their role in achieving SDGs by 2030. A coordination committee headed by a Deputy Governor; and General Managers of related departments as members has been formed in line with the national coordination committee headed by an Additional Secretary.

As it is a very early stage to measure the performance of various agencies/sectors of the economy to achieve SDGs, it is possibly high time to specify the linkages of the banking sector with SDGs and its targets. The Government of Bangladesh, Bangladesh Bank and other related agencies have started to set priority on achieving the different goals under SDGs. A closer look at the SDGs reveals that five out of the seventeen goals of SDGs are directly linked with banks. With this background, the objectives of the study are (i) to identify the linkage between the SDG and the banking sector and (ii) to examine the status and progress of the banking sector in line with the attainment of SDG.

1.2 Methodology of the Study

The study is mainly based on secondary data collected from various publications of Bangladesh Bank, Bangladesh Bureau of Statistics and Publications of different International Agencies. The research team also discussed with few senior executives of Planning Commission and Bangladesh Bank about the implementation plan of SDG. A number of tables and graphs have been used to present the collected data. A key-note paper was presented in a seminar participated by senior bank executives and a panel of discussants. The current report has been finalized by incorporating valuable comments and opinions derived from the seminar proceedings.

1.3 Organization of the Study

The research paper has been structured as follows: the first section covers the introduction including background, objective and methodology of the paper; while section two presents a brief discussion of SDGs. Section-3 covers Government Initiatives for Implementing SDGs in Bangladesh followed by literature review in Section-4;

Section-5 shows global and local Initiatives to address SDG matrix. The role of banks in achieving SDGs is discussed in section-6 and the paper finishes with a conclusion.

Section 2: Sustainable Development Goals: A Brief Discussion

The Sustainable Development Goals are a collection of 17 global goals set by the United Nations Development Programme. The goals are broad and each of the goals has a separate list of targets to achieve. Achieving a total of 169 targets would signal the accomplishment of all 17 goals. The SDGs cover mainly social and economic development issues like poverty, health, education, global warming, gender equality, sanitation, energy, environment, and social justice.

Paragraph 54 of United Nations General Assembly Resolution A/RES/70/1 of 25 September 2015 contains the goals and targets. Negotiations on the Post-2015 Development Agenda began in January 2015 and ended in August 2015. A final document was adopted at the UN Sustainable Development Summit in September 2015 in New York City, USA. On 25 September 2015, 193 countries of the UN General Assembly adopted the 2030 Development Agenda titled "Transforming our world: the 2030 Agenda for Sustainable Development". This agenda has 92 paragraphs. Paragraph 51 outlines the 17 Sustainable Development Goals and the associated 169 targets.

Comparison with Millennium Development Goals

The SDGs were developed to succeed the Millennium Development Goals (MDGs) which ended in 2015. The gaps and shortcomings of MDG Goal 8 (To develop a global partnership for development) led to identifying a problematic "donor-recipient" relationship. Instead, the new SDGs favor collective action by all countries. The MDGs were about development while the SDGs are about sustainable development. Finally, the MDGs used a silo approach to problems, while the SDGs take into account the inter-connectedness of all the problems. Whilst the MDGs were strongly criticized by many NGOs as only dealing with the problems, the SDGs deal with the causes of the problems.

About the 17 Goals

With a view to taking the spirit and experiences of MDGs further, the member states of the United Nations formally adopted the 2030 agenda for Sustainable Development. The new goals and targets came into effect on 1st January 2016. SDGs together constitute a comprehensive agenda covering all three dimensions of sustainable development – economic, social and environmental. This integrated agenda considers all citizens in all countries ensuring that no one is left behind.

The new goals are part of an ambitious, bold sustainable development agenda that will focus on the three interconnected elements of sustainable development: economic growth, social inclusion, and environmental protection. It recognizes that ending poverty must go hand-in-hand with a plan that builds economic growth and addresses a range of social needs including education, health, social protection, and job opportunities while addressing climate change and environmental protection. It also covers issues such as inequality, infrastructure, energy, consumption, biodiversity, oceans, and industrialization.

The new goals are part of an ambitious, bold sustainable development agenda that will focus on the three interconnected elements of sustainable development: economic growth, social inclusion, and environmental protection. The following table presents 17 grows with titles under three categories.

Table 2.1: Sustainable Development Goals

Theme	Goals
Economic Indicators	▪ No Poverty ▪ Zero Hunger ▪ Gender Equality ▪ Decent Work and Economic Growth ▪ Industry, Innovation, and Infrastructure ▪ Reduced Inequality ▪ Responsible Consumption and Production ▪ Life Below Water ▪ Peace and Justice Strong Institutions ▪ Partnerships to achieve the Goal
Social Indicators	▪ No Poverty ▪ Good Health and Well-being ▪ Quality Education ▪ Gender Equality ▪ Clean Water and Sanitation ▪ Reduced Inequality ▪ Sustainable Cities and Communities ▪ Peace and Justice Strong Institutions ▪ Partnerships to achieve the Goal

Environmental Factors	▪ Clean Water and Sanitation ▪ Affordable and Clean Energy ▪ Industry, Innovation, and Infrastructure ▪ Sustainable Cities and Communities ▪ Responsible Consumption and Production ▪ Climate Action ▪ Life Below Water ▪ Life on Land ▪ Peace and Justice Strong Institutions ▪ Partnerships to achieve the Goal

There are 169 targets for the 17 goals. Each target has between 1 and 3 indicators used to measure progress toward reaching the targets. There are various indicators that will measure compliance. There are 230 indicators on which general agreement has been reached. A total number of indicators listed in the final indicator proposal is 241. Since nine indicators are repeated under two or three different targets, the actual total number of the individual indicator is 230. In order to achieve each goal, there are some targets which are also associated with a set of indicators.

Goal 1: End poverty in all its forms everywhere

Although we've made great strides in poverty alleviation over the last 30 years, more than one billion people still live on less than $1.25/day. We won't be able to reach our other global goals if we can't move the needle on this one. We need to eradicate extreme poverty and halve the number of people living in poverty by 2030. (7 targets and 12 indicators are associated with this goal)

Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Small farmers around the world depend on their environment, but climate change, habitat destruction, and political instability are destroying their resources. Moreover, agriculture, forestry, and fisheries not only provide nutritious food but also create jobs and support healthy, prosperous communities. It's up to us to end hunger by 2030 through advancing sustainable agriculture and achieving food security. (8 targets and 13 indicators are associated with this goal)

Goal 3: Ensure healthy lives and promote well-being for all at all ages

We live in the most advanced age of science and medicine; yet preventable disease, untreated drug & alcohol abuse, preventable birth defects, and avoidable traffic & industrial accidents still kill millions of people each year. We are to make sure that every person, child or adult, gets the resources they need to live a long and healthy life. (13 targets and 26 indicators are associated with this goal)

Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

As the world's population grows, more resources and policies are needed to make sure that students everywhere get a good education. The world needs two million teachers and four million new classrooms to make sure every student can get an education. Full access to quality education is the first step to achieving sustainable development, poverty eradication, gender equality, and women's empowerment. We need to make the sound investment in quality education by ensuring that primary and secondary schools are free for every child by 2030. (10 targets and 11 indicators are associated with this goal)

Goal 5: Achieve gender equality and empower all women and girls

Gender inequalities are still deeply rooted in every society. Many women still lack access to employment opportunities, basic education, and health care, and they're often subjected to violence and discrimination. We should improve opportunities for everyone by dismantling barriers to women's participation in economic, social and political life. (9 targets and 14 indicators are associated with this goal)

Goal 6: Ensure availability and sustainable management of water and sanitation for all

More than half of households worldwide have access to clean water in their homes; however, the number of people without adequate sanitation (a safe toilet) is increasing as people move into more crowded cities. Diseases caused by contaminated water kill more people every year than all forms of violence, including war. By prioritizing clean water, we can improve the health and livelihoods of millions of people. (8 targets and 11 indicators are associated with this goal)

Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all

Clean, sustainable energy is not just about the environment. Around 4.3 million people die every year from pollution resulting from indoor cook stoves that use fire or toxic fuels. These deaths are entirely preventable. We are to make sure every person has access to renewable energy by 2030. (5 targets and 6 indicators are associated with this goal)

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Job availability is the key not only to economic growth but also to more equal wealth distribution. Economic prosperity and opportunities for gainful employment are critical for safe, stable societies. (12 targets and 17 indicators are associated with this goal)

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Without the right infrastructure and technology, developing countries can't make the most of their human and natural resources. Industry plays a critical role in innovation and research, which are crucial for job creation, poverty eradication, gender equality, labour standards, and greater access to education and healthcare. Together, we can promote inclusive and sustainable industrialization and technology development. (8 targets and 12 indicators are associated with this goal)

Goal 10: Reduce inequality within and among countries

We cannot live in a truly developed world without equal opportunities for both countries and their citizens. Equality is at the core of all the sustainable development goals. Together we can empower and promote the social, economic and political inclusion of all people irrespective of age, sex, disability, race, ethnicity, origin, religion, economic or another status. (10 targets and 11 indicators are associated with this goal)

Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable

By 2030, almost 60% of the world's population will live in urban areas, and most of that urban expansion will be in the developing world. Rapid urbanization puts pressure on supplies of fresh water, sewage systems, the living environment, and public health. We should embrace the technological and social benefits of cities by making sure they are safe for everyone and sustainable for decades to come. (10 targets and 15 indicators are associated with this goal)

Goal 12: Ensure sustainable consumption and production patterns

Sustainable consumption and production are all about doing more and better with less. The global population is projected to reach ten billion by 2050, adding further pressure on our planet's finite resources. We need to promote sustainable lifestyles so that everyone--including our grandchildren--can enjoy a good quality of life with access to food, water, energy, medicine and more. (11 targets and 13 indicators are associated with this goal)

Goal 13: Take urgent action to combat climate change and its impacts

The world's industrialized nations have changed the balance of the earth's carbon cycle over the last 150 years by burning large amounts of fossil fuels. Climate change has the potential to derail other efforts toward sustainable development by altering weather patterns that threaten our food production and increasing sea levels which will displace coastal communities. We need to increase awareness and convey urgency to world leaders so we can begin combating climate change before it is too late. (5 targets and 7 indicators are associated with this goal)

Goal 14: Conserve and sustainably use the oceans, seas, and marine resources for sustainable development

Our oceans and seas are being threatened and destroyed by human activities like marine pollution, overfishing, and destruction of marine habitats. Oceans cover three-quarters of the earth's surface, and they are home to nearly 200,000 species. That marine and coastal biodiversity aren't just beautiful; it provides the livelihoods of more than 3 billion people. We can stop and reverse the damage we have done to our world's oceans if we act quickly to conserve and protect our marine resources and habitats. (10 targets and 13 indicators are associated with this goal)

Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Pressures from our growing global population, urbanization, and climate change are causing biodiversity to decline. Most developing countries rely on meat from wild animals for food. We are to work to restore and protect our planet's biodiversity in order to prevent land degradation, ecosystem imbalance, and food insecurity. (12 targets and 14 indicators are associated with this goal)

Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

We can only look forward to a more equal and sustainable world if we have more peaceful and inclusive societies. That means we'll need to reduce crime, violence, and exploitation. The illegal arms and drug trade will have to stop. Public institutions that we all rely on will have to be effective, transparent and accountable. (12 targets and 23 indicators are associated with this goal)

Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

The realization of 17 goals is not some idealistic dream. We've seen global goals work in the past, and we're taking the new goals even further to address the root causes of poverty. We have the means and experience to finish this fight -- but only if people everywhere understand how close we are. (19 targets and 25 indicators are associated with this goal)

Section 3: Government Initiatives for Implementing SDG in Bangladesh

Bangladesh owns SDGs in terms of political commitment from the apex level of the government for development transformation within the framework of SDGs being implemented through our national planning tools (Five Year Plans). A high-level position, Principal Coordinator (SDGs Affairs) has been created at the Prime Minister's Office to head this committee. The General Economics Division (GED) of the Planning Commission serves as the secretariat of the committee and also the focal point of the government for SDGs implementation and Poverty eradication. The government of Bangladesh adopted a "whole of society" approach in working towards the attainment of the SDGs. The already-established practice and culture of consultations for planning in Bangladesh mean that multi-stakeholder partnerships can be leveraged in promoting the 2030 Agenda for Sustainable Development and achieving the SDGs. The consultations on the sustainable development agenda in Bangladesh started even before the adoption of the global agenda, beginning in 2013 under the name '"post-2015 development agenda". Aimed at removing the language barrier to popularize the SDGs concept and ideas among masses and to create awareness among the general people of the country, the GED, Planning Commission has prepared and published a "Bengali version of SDGs, targets and indicators" and widely distributed to the public and public offices all over the country.

The journey of Bangladesh towards the implementation of SDGs started by successfully integrating Sustainable Development Goals (SDGs) into the 7th Five Year Plan (FY 2016-FY 2020). An inter-ministerial workshop was held to examine how well the SDGs are embedded in the Plan document. The workshop attended by the representatives from 57 ministries/divisions found that out of 169 targets, 56 are aligned with 7th FYP while 37 are partially aligned and 65 could not be aligned. In terms of indicators, 41 indicators of SDGs are found fully aligned with 7th FYP, 27 are partially aligned and 138 are not directly aligned. Besides aligning the SDGs with the 7th FYP, the inter-ministerial workshop recommended for identifying challenges of SDGs implementation in Bangladesh and suggested ways of overcoming those challenges. Given the comprehensiveness and cross-cutting nature of SDGs, policy coherence is very critical for the success of SDGs implementation in Bangladesh.

Bangladesh has successfully completed the “Mapping of Ministries/ Divisions by Targets in the Implementation of SDGs Aligning with 7th FYP (2016-2020)”, a first formal document towards implementation of the SDGs in Bangladesh. Through the Mapping, the Government has identified 43 Lead Ministries/Divisions including Prime Minister’s Office and Cabinet Division and 34 Co-lead Ministries/Divisions responsible for (who will do what) implementing the SDGs and its targets including actions to achieve the SDGs targets beyond 7th FYP (2021-2030). It also listed available existing policy instruments (acts, policies/strategies, etc.). The mapping exercise has created an opportunity to look at the data scenario of Bangladesh through the lenses of the SDGs indicators. The Mapping showed that almost 50 percent of identified ministries has linked with multiple SDGs. This suggests setting up a strong national coordination mechanism and cooperation among government ministries/ agencies in order to transform the SDGs agenda into the national context. This is key for successful implementation of SDGs. In identifying the lead ministries/divisions for each of the targets of SDGs the “Allocation of Business of the Government” was the guiding principle. The mapping will ensure synergies among the ministries in implementing the SDGs. The report has been formally launched by the Planning Commission and officially shared with all ministries/agencies informing their engagement on goals and targets of SDGs implementations.

A training programme has been continuing on the ways of implementing the 7th Five Year Plan by each Ministry (so far around 400 officers relating to planning and implementation have been trained) organized by General Economics Division (GED), Planning Commission where SDGs targets and 7th Five Year Plan goals/ targets were juxtaposed showing interlinkages and highlighted how SDGs can be attained through our own national planning tool. A Training Handbook has been developed for attaining this objective.

GED has also conducted an important study on “SDGs Financing Strategy: Bangladesh Perspective” to assess the resources need to implement SDGs and map out a financial strategy that would require for successful implementation of the SDGs in Bangladesh. The study provides a well-defined framework that outlines the goal and target-wise additional estimated cost at 2015-16 constant price. The 7th FYP extended growth scenario projects that the GDP growth rate would be at 9 percent by FY 2030. The report estimates that an additional amount, over the current provision of investment related to SDGs by public sectors and external sources, would be USD 928.48 billion at 2015-16 constant prices. This amount would be required for SDGs implementation over the period of FY 2017-FY 2030, which is 9.75 percent of the accumulated GDP under 7th FYP extended growth scenario. The annual average cost of SDGs would be USD 66.32 billion (at constant prices) for this period. The study suggests five potential sources for meeting the financing gap: they are 1) Public Financing; 2) Private Sector Financing; 3) Public-Private Partnership (PPP); 4) External Sources including Foreign Direct Investment (FDI) and Foreign Aid and Grants; and lastly 5) Non- government Organizations (NGOs). During the period of FY 2017 - 2030, on an average, the public sector would account for 34 percent of the financing requirement. The private sector would have to share of 42 percent of investment through reenergizing their business activities. The average share of financing through PPP is determined to be 6 percent. The external source would have an average share of around 15 percent in the face of dwindling ODA prospect. Finally, the contribution through NGOs is estimated to be around 4 percent of the total additional cost.

The government prepared a "National Action Plan for SDGs Implementation" in accordance with 7th FYP objectives and shared with all relevant ministries for preparation of their respective implementation plan for achieving the SDGs targets as per instruction by an inter-ministerial committee. The GED has also arranged training workshops for the officials working in "Development and Planning Wings" of the ministries/ divisions/ agencies so that their capacity for identification and formulation of appropriate projects/ programmes for SDGs get enhanced. Furthermore, the action plan for implementing 7th FYP/ SDGs and its associated targets have been reflected in ministries' annual work plan as well as in newly introduced Annual Performance Appraisal (APA) of the line ministries.

As an effective, widely used, comprehensive SDGs monitoring framework will provide essential support to measuring the successes of the SDGs, Bangladesh has designed SDG Tracker, an innovative tool that will help to measure achievements in attaining SDGs. Thus, SDG tracker will provide the status of Bangladesh's progress on SDGs over the period of time. The Access to Information (a2i) Programme of the Prime Minister's Office, with technical support from UNDP and USAID– in collaboration with General Economics Division (GED) of Planning Commission, Bangladesh Bureau of Statistics and other government and private stakeholders, designed and developed SDG Tracker to create a data repository for monitoring the implementation of the SDGs and other national development goals.

Two major components of SDG Tracker are SDG Portal and Dashboard. For the Government to plan and monitor the impact of its policies, it must be able to benchmark data and see year on year progress. Bangladesh's commendable achievement in implementing MDGs has poised Bangladesh to do better in achieving the SDGs also. National plans and actions are also directed towards this commitment. It is highly expected that the SDG Tracker (www.sdg.gov.bd) will support to drive these actions in the right direction.

Initiated by the Governance Innovation Unit (GIU) under the Prime Minister's Office, Bangladesh has introduced Annual Performance Appraisal (APA), a results-based performance management system across the whole spectrum of the public sector with a view to improving efficiency as well as ensuring transparency and accountability. Under the APA system, each ministry enters into a memorandum of understanding with the Cabinet Division at the beginning of each financial year. The APA outlines the goals and targets of each ministry with corresponding performance indicators. The government has integrated the SDG targets into the APA system so that the long-term objectives can be translated into an annual work plan of the ministries.

The government also conducted an assessment of data gaps, in order to come up with a plan to collect new data, disaggregate existing data and, where necessary, clarify or come up with new definitions of indicators. The data gap assessment looks in detail at data required for each SDG indicator and classifies the indicators into three categories – those for which data is available, partially available and not available. The assessment shows that data is available for 70 indicators (29 percent of all needed indicators), partially available for 108 indicators (45 percent) and not available for 63 indicators (26 percent). Most of the gaps exist in data to construct environmental and governance indicators.

Section 4: Literature Review

4.1 Financial Sector Development and Economic Growth

SDG captures a balanced development approach comprising three areas- economic development, social inclusion, and environmental sustainability each of which is influenced by the banking activities to a different degree. Economic growth is one of the most significant underlying contributing factors in achieving a number of SDG goals. The relationship between the financial sector and economic development has remained one of the key research areas for a long period of time. (Ndikumana, 2001). Although the results vary among the available studies in terms of the impact of financial sector development on growth and the direction of causality between these two, a good number of studies find positive and significant association between financial deepening and economic growth (Kar and Pentecost 2000; Boulika and Trabelisi 2002; Aghion and Bolton 1997; Levine 1997). One study focusing on the nexus between the financial sector and economic growth done by Schumpeter (1912) finds that the services provided by the financial intermediaries support innovation and creativity and thus enhance future growth by identifying and funding productive investments.

It is suggested by Levine (2005) that financial institutions and markets can foster economic growth through several channels by easing the exchange of goods and services through the provision of payment services, mobilizing and pooling savings from a large number of investors, acquiring and processing information about enterprises and possible investment projects. Levine (1997) states that by providing correct data regarding production technologies and exerting corporate control, financial sector development can enhance resource allocation and accelerate growth. King and Levine (1993) in their paper using data for 80 countries analyze the effect of financial sector development on growth in real per capita Gross Domestic Product (GDP), with four indicators: the amount of liquid liabilities divided by GDP, the importance of commercial banks in relation to the central bank when allocating credit, the ratio of credit allocated to private enterprises to total domestic credit, and credit to private sector divided by GDP. After controlling for other factors affecting economic growth they find a strong positive relationship between each of the financial development indicators and economic growth. Some authors in the literature agree that there is a relation between finance and economic growth. However, they disagree about the direction of causality.

On one hand, some authors have theoretically and empirically found that there is the causal direction from FD to EG. That is, policies that move toward the development of financial systems lead to economic growth. McKinnon (1973), King and Levine (1993), Levine *et al.* (2000) support this argument. On the other hand, other authors argue that the direction is from economic growth to financial development. Since the economy is growing, there is an increasing demand for financial services that induces an expansion in the financial sector. This view is supported by Gurley and Shaw (1967), Goldsmith (1969), and Jung (1986).

Ahmed and Ansari (1998) have found a significant impact of financial sector development on economic growth with a unidirectional causality from FD to EC in the context India, Pakistan, and Sri-lanka. A study was done by Hasan *et al.* (2011) using panel data in the context of low and middle-income countries finds a positive relationship between FD and EG. Rahman (2004) investigates the association between financial development and economic growth in the case of Bangladesh over the period of 1976-2005. Applying the structural VAR approach, he reports that financial development supports investment which increases economic growth.

Chakranorty (2010) investigates the finance-growth nexus in India using different indicators of financial development and reports that stock market capitalization (financial development indicator) adds in economic growth. Using rolling regression, Hye (2011) investigates the relationship between financial development and economic growth in the case of India over the period of 1973-2008. He notes that financial development impedes economic growth. Hye and Islam (2013) investigate the relationship between financial development and economic growth in Bangladesh using time series data over the period of 1975-2009. The ARDL bounds testing approach to cointegration is applied to test whether cointegration between variables exists. They find that the variables are cointegrated in the long run and financial development impedes economic growth. Sikder *et al.* (2017) found the presence of a long-term bi-directional causal relationship between financial development and economic growth in Bangladesh and India.

4.2 SDG and Relevant Banking Operational Areas

A majority of SDGs are directly or indirectly related with the performance of the banks in some areas. The linkage between the functional areas of banking with SDGs is discussed below:

Financial Services and Its Relation to Poverty, Hunger, Education, Health and Gender Equality (SDG 1)

Poverty reduction or for that matter poverty elimination goal has remained one major policy agenda for almost all the developing countries for a long period of time. In fact, ending poverty in all forms everywhere has been positioned as the first goal in the list of 17 SDGs. Bangladesh has made substantial progress in reducing poverty over the last couple of decades. But it is understandable that it will require a lot of efforts for the complete elimination of poverty from the society within the target year 2030. Most of the studies find a significant impact of financial development on the poverty in different ways. Financial development can improve opportunities for the poor to get access to formal finance by addressing the causes of financial market failures, such as information asymmetry and the high fixed cost of lending to small borrowers (Stiglitze, 1998; Jalilian and Kirkpatrick, 2001). Financial sector development enables the poor to draw down accumulated savings or to borrow money to start microenterprises, which eventually leads to wider access to financial services; higher employment and higher incomes; and thereby reduce poverty (DFID 2004). Financial development may trickle down to the poor through its influence on economic growth. The trickle-down theory has been widely supported by studies such as Ravallion and Datt (2002), Mellor (1999), Dollar and Kraay (2002), Fan *et al.* (2000). As depicted by Burgess and Pande (2005) also find that state-led bank expansion in India's rural unbanked locations significantly reduced those in rural poverty by 14 to 17 percentage points.

Eradication of poverty helps achieve some other social goals such as education, health and nutrition, and capacity to absorb financial shocks. Savings allow families to increase and smoothen consumption, accumulate assets, and invest in human capital such as health and education (Brune *et al.* 2015; Dupas and Robinson 2009; Karlan *et al.* 2014; Pande *et al.* 2012). Claessens and Feijen (2006) find the reinforcing relationship between financial development and education, gender equality, and health. As the families come out of poverty, they can spend more on food, education for the children and healthcare services (World Bank 1993). The ratio of private credit to GDP has been found positively associated with enrollment in primary and tertiary school, persistence to stay in school, female participation in the labor force, and growth in life expectancy both for developed and developing countries (Claessens and Feijen 2006).

The banking industry provides remittance services to the migrant workers and the remittance thus flown into the domestic country help improve the well-being of the recipient families. This anticipated positive impact of remittance is clearly visible in the developing countries like Bangladesh. A good number of researches show the positive impact of remittance on the poverty level in the country. Adams and Page (2005) find that international remittance have a negative and statistically significant impact on the poverty measures. Remittances have a larger impact on poverty reduction as it is measured by the poverty gap and squared poverty gap. Acosta *et al.* (2007) report that remittances in Latin American and Caribbean countries reduced inequality and poverty. Adams (1991) and Stark and Taylor (1989) find that remittances could contribute to better welfare to poorer households in rural areas. Similarly, Gupta *et al.* (2009) explore the direct poverty-reducing effect of remittance by using a sample comprising 24 countries in sub-Saharan Africa. The result implies that a 10 percent rise in the flow of remittances is associated with a 1 percent fall in the headcount poverty and the poverty gap. In addition, the studies of Lopez-Cordova (2005) in Mexico and Lokshin *et al.* (2010) in Nepal observe that international remittances reduce poverty by around 0.4 percent at the country level. Recently, Imai *et al.* (2014) examine the effects of remittances on poverty by using annual panel data for 24 Asian and Pacific countries. Generally, the results confirmed that remittance flows have been beneficial to the poor. The share of remittance in the GDP not only promotes economic growth but also reduces poverty through increased income.

Reducing Hunger and Promoting Food Security (SDG 2)

As per the Food and Agricultural Organization (FAO), about 795 million people globally are undernourished, with most living in rural areas neglected by the financial system. A lack of access to credit and insurance prevents farmers from making investments that could increase crop yields and strengthen food security (FAO 2015). The report also asserts that financial services also can help farmers increase their income security, which can lead to better household nutrition. As found by Beaman *et al.* (2014), another study in Mali found that households that were offered loans increased their investments and expenditures on agricultural inputs. Today's new avenue of financial services is digital financial services which are putting their significant contribution even in the agriculture sector. Digital financial products that do not require travel to a bank branch have special benefits for farmers who live in areas that are poorly served by traditional banks. (Kirk *et al.* 2011; Mbiti and Weil 2011; Manfre and Nordehn 2013). In Kenya, for example, more than half of all adults sell agricultural goods and 30 percent of these adults are paid for their goods via a mobile phone-based account, according to the Global Findex (Seetharam and Johnson 2015; Gilissen *et al.* 2015).

Achieving good health and well-being (SDG 3)

Financial inclusion helps to excel the health improvements of a human being. As opined by Priyanka *et al.* 2011 and Krishna (2006), financial inclusion improves health by giving people the ability to manage medical expenses and rebound from a health crisis. Research suggests that out-of-pocket payments on health care in developing countries are the main reason why people remain in poverty. A study in Nepal echoed the same message and found that when hit with health shocks, households with savings accounts suffered smaller income drops than households without savings accounts (Prina 2013).

Fostering quality education (SDG 4)

Burnett and Milan (2013) found the economic cost of out-of-school children range from 1 percent of GDP to 10 percent of GDP, with the biggest losses faced by countries experiencing slow growth over the study of 20 countries. Educational underperformance also contributes to economic inequality between rich and poor countries (O'Neill, 1995). Savings products help families to plan and manage their kids' education expenses. Prina (2013) found in his study that a 20 percent increase in spending on education among households that opened free bank accounts in Nepal.

Promoting gender equality (SDG 5)

To promote the gender equality it is key to help women asserting their economic power through financial services. More than half of women worldwide are unemployed and not looking for work (World Bank, 2015). Cuberes and Teignier (2015) estimate that gender gaps cause an income loss of about 15 percent in OECD countries and almost 38 percent in the Middle East and North Africa. Women also are more likely than men to be self-employed in developing countries and thus are in greater need of access to formal financial services (Demirguc-Kunt, Klapper, and Singer, 2013). On the other hand, because of poor credit history or lack of collateral, women are more likely to be denied bank loans than men and often pay higher interest rates than men on formal bank loans (IFC, 2011). Financial inclusion of women can create gender equality by giving them greater control over their finances (Ashraf *et al.* 2010). It is evident from Dupas and Robinson (2009) that, when Kenyan market women were given access to a savings account with no opening fees, they increased private expenditures by 38 percent. Female-controlled finances are more likely spent on necessities, such as food and water, as well as child welfare, including school fees and healthcare (Duflo, 2012). Prioritizing the women contribution in the agriculture sector, FAO (2011) estimates that, women could increase farm yields by 20 percent to 30 percent if they had the same access to financial and other productive resources as men.

Access to Infrastructure: Water and Sanitation (SDG 6) and Energy (SDG 7)

Inadequate access to clean water and sanitation facilities can cause severe health problems (Duflo *et al.* 2012). Some models transfer ownership of assets to users after a limited payment period. These models reduce the cost and size of loans for financing energy services payments among users (Alstone *et al.* 2015).

Promoting Sustained, Inclusive and Sustainable Economic Growth (SDG 8)

Inclusive growth is broad-based sustained economic growth which is a necessary and crucial prerequisite for poverty reduction through ensuring nondiscriminatory inclusion of mass people in the growth process. The foundations of shared economic growth can be weak if the poor people are excluded from the formal financial system. Building an inclusive financial sector is one of the strong and effective mechanisms for broad-based participatory growth of an economy. Financial inclusion creates an environment in which a larger section of the society gets the opportunity of access to financial services. Empirical evidence suggests that countries with a large proportion of population excluded from the formal financial system also show higher poverty levels and higher inequality (Bahar *et al.*, 2013).

Promoting Innovation and Sustainable Industrialization (SDG 9)

A study in India showed that, when offered credit, new businesses are more likely to be created and that these firms are more likely to spend on business durables. Increased access to credit enables the wealthiest 5 percent to 10 percent of entrepreneurs to increase profits substantially (Banerjee *et al.* 2015).

Toward Equitable and Peaceful Societies (SDG 10 and SDG 16)

People with access to financial services are well positioned to succeed economically and build a decent life which ultimately making it easier to reduce inequality (SDG 10) and promote a peace society (SDG 16). According to the Credit Suisse Research Institute (2014), 48 percent of the world's $263 trillion in net household wealth (i.e., after subtracting debts) is in the hands of the richest 1 percent of its citizens. Acemoglu and Robinson (2001) argued in their comparative study of Western Europe and Latin America that inequality breeds political instability by fostering social unrest in nondemocratic countries and encouraging the rich to contest power in democratic countries. This finding is echoed by Alesina and Perotti (1996), who sampled 71 countries from 1960 to 1985 and concluded that inequality leads to social discontent and therefore causes instability. Beck, Demirguc-Kunt, and Levine (2007) asserted that financial development causes the incomes of the poor to increase faster than average per capita GDP, reducing income inequality as a result.

Section 5: Addressing SDG Matrix Global and Local Initiatives

The Financial Services industry is a vital enabler for the real economy. It supports improved economic well-being which then increases the ability of families and Governments to improve social outcomes. The Sustainable Development Goals serve as a global compass which the financial community of banks, insurers and investors can use to guide their core business towards achieving economic, social and environmental sustainability. Poverty is one of the most prominent problems of the world and the first goal under SDG. Financial sector unification especially the integration of banks and non-banks financial institutions is an effective instrument that can bring a reduction in poverty. Theory and evidence show that financial institutions can have an impact on poverty directly, to the extent that it widens access to financial services for the poor, and indirectly through its positive impact on growth, which in return help in reducing poverty (Volz, 2015). There is some remarkable evidence by banks and other financial institutions in addressing this goal under SDGs implementation (Box-1).

Box 1: End Poverty in All Its Forms Everywhere (Goal 1)

- Bangladeshi Banks' inclusive drives help distanced people in Bangladesh acquainted with financial services with an objective to reduce poverty. There are different ethnic & tribal groups in the hilly regions of a Hill District. Earlier they were outside of financial network & deprived of financial services. To follow BB's instruction, a bank opened some 10 taka accounts for them. Through this initiative, they gradually got acquainted with the financial services. At the first stage, some of them took credit for ginger cultivation. Gradually, they took credit for other agricultural products & cottage industry. Now it is a small hub for different types of SME credits & through this a large section of deprived people are brought under financial coverage.
- Banco do Brasil started providing loans for small firms and entrepreneurs through a nationwide microcredit program (known locally by the acronym MPO), helping more people to open bank accounts, creating jobs and income, and combating poverty, as part of the Federal Government's plan to end extreme poverty ("Brasil sem miséria"). The microcredit program is mainly for urban areas and has originated more than 45,000 loans totaling around US$100 million. Around half of entrepreneurs reached are women.

Source: 1.UN and KPMG (2017)
2. Survey

Financial institutions are introducing strategies to collaborate with Governments and development finance institutions to increase financing for sustainable agriculture, including people that are often financially excluded such as women, persons with disabilities, indigenous persons, and racial and ethnic minorities. Extension of facilities for smallholder farmers leveraging available technology such as mobile money transfer and satellite monitoring are contributing to achieving goal two under SDGs (Volz, 2015). Some practical examples of different financial institutions are elaborated in Box-2.

Box 2: Achieve End Hunger, Achieve Food Security and Improved Nutrition and Promote Sustainable Agriculture (Goal 2)

- **Mutual Trust Bank limited in Bangladesh**, has introduced investment in Solar Irrigation which contributes towards sustainable farming. The farmers of some villages in Panchagor, a northern district in Bangladesh have availed of financing for solar irrigation by the cluster approach. In group lending approach, farmers got loan for crops, pump for irrigation and drainage. First of all, the bank organized the farmers and conducted feasibility study in order to know the potentials of production. Then, farmers were asked to form a cooperative which usually consists of 30 – 35 farmers. After forming cooperative, they can apply for bank loan. In this case, bank offered Tk.30 lac for irrigation pump, which is owned by cooperative and this is a common platform where members get irrigation facility.
- Rabo bank generates, enhances and distributes its extensive knowledge of the many links in the food chain through its Food & Agribusiness Research and Advisory department. It has developed 10 big ideas which could boost global food availability and access over the next decade. These ideas are: adopt big data in US agriculture; close the yield gap in Central and Eastern Europe; improve China's food security; strengthen South-South trade; invest in local storage; boost production in the Food & Agribusiness engine room; develop cold chains in China; grow aquaculture; lift dairy production in India; and raise sugarcane's productivity. These are described in further detail together with case studies in the report 'Unleashing the Potential of Global Food & Agribusiness' for its business customers.

Source: 1. MTBL
2.UN and KPMG (2017)

Some financial institutions are providing and/or raising capital for investment in healthcare institutions under their CSR portfolio. Collaborating with mobile phone providers and community organizations, financial institutions are supporting health promotion activities, thereby reducing loan payment defaults and insurance claims arising from ill health. However, awareness development on critical health issues is covered under the CSR activities. The leading examples of different financial institutions to consider the goal to 'ensure healthy lives and promote well-being for all at all ages' are described in Box-3.

Box 3: Ensure Healthy Lives and Promote Well-being for All at All Ages (Goal 3)

- Standard Chartered bank's 'Living with HIV' program aims to reduce the spread of HIV by encouraging behavior change through education. Employee volunteers ('HIV Champions') raise awareness of HIV/AIDS within the bank and community. Their work also includes the development of tailored workplace HIV education programs with external organizations, and the training of volunteers inside these organizations to act as peer educators, all free of charge. Standard Chartered has a complementary online initiative called Anti HI Virus which makes HIV/AIDS facts available to young people through engaging multimedia (-including animated 'edutainment' modules and blogs in 10 languages) helping them make safe lifestyle choices and reducing stigma. These group-wide initiatives sit alongside the bank's more local efforts to tackle HIV/AIDS including the use of ATM machines in a number of markets (including Thailand, Malaysia, and Dubai) to communicate HIV/AIDS information.
- Banca Popolare di Sondrio offers its customers the option of opening a Solidarity Account. In addition to interest paid to the account holder, the bank pays 0.5% of the average annual balance to the account holder's choice of one of five charitable health funds including UNICEF.

Source: UN and KPMG (2017)

Financial institutions in collaboration with development finance institutions and Governments are raising and/or investing in innovative financing (e.g. education bonds) for education projects. Some institutions are expanding access and use of personal savings and loan products to help families plan for and finance education costs. Health, life, and livelihood insurance coverage in developing markets are reducing the risk that children will remain absent from school due to untreated medical conditions, or that they will be withdrawn from school to care for a sick/ old relative or to undertake livelihood activities to supplement household income. In some developed countries, training on areas such as financing for small and medium-sized enterprises with accounting, customer service, and business management are available. CSR programs of some financial institutions are increasing collaboration across the industry and exploring best practices for advancing financial literacy program both in schools and for men and women, including marginalized groups (such as persons with disabilities, indigenous persons, and racial and ethnic minorities), which is directly linked with inclusive and equitable quality education under SDGs (Box-4).

Box 4: Ensure Inclusive and Equitable Quality Education and Promote Lifelong Learning Opportunities for All (Goal 4)

- School Banking is Promoting Savings and Financial Literacy in Bangladesh. Rehana, an underprivileged girl living in a slum outside Dhaka with her mother and four siblings earns her living by processing fish in a factory. She earns almost 75 Taka per day and couldn't save a penny as she did not have any bank account. But today thanks to the initiatives of Bangladesh Bank and a local bank, she can put aside some money in her bank account in the local branch through an NGO. Due to school banking, Rehana has the opportunity to know about the product and using it. She has inquisitiveness to learn more about financial services that might suit her future need.
- The Inter-American Development Bank (rated Aaa/AAA) launched a US$500 million Education, Youth and Employment Bond for Latin America and the Caribbean to finance early childhood care and education, formal primary and secondary education, as well as labor market placement and vocational training. This bond is the first global benchmark issued by a Multilateral Development Bank where proceeds are placed in a segregated sub-account to support projects strictly related to education and youth employment. The order book received a significant level of oversubscription and included a high percentage of investors with a particular interest in Socially Responsible Investment Bonds.

Source: 1. Survey
2. UN and KPMG (2017)

Now banks are designing new savings, credit and insurance products and distribution models which enable women in high- growth markets to establish and grow businesses in both urban and rural environments. Some have adapted innovative credit processes and lending methods to expand lending to women-led SMEs, for example offering collateral free loans or accepting household goods or jewelry as collateral. To ensure gender equity the share of women in company Boards and in senior roles have increased in some financial institutions. The integration of the Women's Empowerment Principles into core business operations and value chain are ensuring a comprehensive approach to achieve gender equality, and encourage peers to do likewise which help to achieve gender equality and empowerment (Box-5).

Box 5: Achieve Gender Equality and Empower All Women and Girls (Goal 5)

- Meghna solar, a manufacturer of solar equipments in Bangladesh, is the intermediary agent of a banks offering Solar Home System (SHS) in four upazillas under two districts. After getting financing for SHS, many families have installed the system. The access to electricity improves the lives of women in these upazillas. Now they get more time in night and they utilize it for sewing, preparing handicrafts. to support their livelihood. Some

NGOs have developed training centers to train women in sewing and preparing handicrafts. Moreover these training centers are operated in night and run by SHS. The SHS changes the life of women with proper training and empowerment.

- YES BANK runs 'YES LEAP'(Livelihood Enhancement Action Program), a banking linkage program through which YES BANK with self-help promoting institutions provide comprehensive financial services to women-centric self-help groups, thus empowering women in rural India and strengthening their financial security. In 2014-15, YES LEAP reached over 1.2 million predominantly rural households in 250 districts. YES BANK is enhancing the program by introducing mobile tablets that can, among other roles, track payments and receipts and play health and hygiene messages.

Source: UN and KPMG (2017)

Now a day, some financial institutions are considering water risks as part of investment evaluation criteria and stimulate the adoption of priced-in externalities in financial statements to show environmental and social impacts and societal value creation (UNEP, 2016). Several projects are taken which reflect future costs and manage usage while subsidizing connections and consumption of water by the poor (Box-6).

Box 6: Ensure Availability and Sustainable Management of Water and Sanitation for All (Goal 6)

- HSBC Bangladesh has launched a USD 4 million water project, under the global HSBC program, with the partnership of Wateraid. With the financial support from HSBC Bangladesh, Wateraid Bangladesh will provide pure drinking water through installation, repair and disinfection of tube wells, rebuild latrines and distribute hygiene materials. Flood forecasts and safety measures for maintaining hygiene, safe drinking water and practicing safe sanitation are getting priority under the project. The programme addresses safe drinking water and sanitation crisis through hardware and human development interventions. Hardware activities include installation and renovation of shallow and deep tube-wells, ring wells, platform construction, infiltration gallery, mini-piped water systems, rainwater harvesting and submergible pump. A water quality test is mandatory for all water points built or renovated. Sanitation activities include promotion of household toilets through motivation and construction of school and public toilets. The programme also addresses improvements in hygiene behavior, especially hand-washing practices with soap, through awareness and promoting hand-washing stations. It is expected a total of forty thousand people comprising of nine thousand families will be benefited through this initiative. In Bangladesh, HSBC Water Programme is working in Rangpur, Sylhet and Khulna Division. HSBC is investing this under climate risk fund.

Source: UN (2017) and Bangladesh Bank

The initiatives of some financial institutions to promote renewable energy and energy efficiency investment under green financing are really remarkable. Developing countries and countries with economies in transition face serious challenges in attracting private investments in energy efficiency. This requires the creation of opportunities for banks and commercial companies to invest in energy efficiency and renewable energy projects through the development of dedicated public-private partnership investment funds. Considering Green House Gas (GHG) emission reduction and competitive energy use, many countries have developed a dedicated fund to address the need of renewable energy and energy efficiency, which untimely ensure the achievement of goal seven of SGDs (Box-7).

Box 7: Ensure Access to Affordable, Reliable, Sustainable and Modern Energy for All (Goal 7)

- IDCOL in Bangladesh, is playing a major role in bridging the financing gap for developing infrastructure and renewable energy (RE) projects in Bangladesh. Under renewable energy initiative, it started its Solar Home Systems Program in January 2003 with a view to providing access to electricity in the off-grid areas of the country. The program now stands as the largest off-grid renewable energy program of the world. It targets to finance 6 million SHS by 2016. IDCOL also has country-wide programs in domestic biogas, solar irrigation, solar mini-grid, biomass and biogas based electricity generation. It has recently taken initiative to finance energy efficient (EE) technologies under which nationwide Improved Cook Stove (ICS) program has been launched and some energy efficient brick kiln projects have also been financed. The NBFI offers a comprehensive range of subsidy and concessionary loans to these viable renewable energy or energy efficiency programs/projects.
- Citi has pledged to source US$2.5 billion in incremental capital towards Power Africa, a multi-stakeholder partnership that aims to double the number of people who have access to electricity throughout sub-Saharan Africa, thereby adding more than 30,000 megawatts of clean and efficient electricity generation to the grid, increasing access to 60 million new homes and businesses.

Source: IDCOL and UN and KPMG (2017).

Microfinance (savings, credit, and insurance) for small business owners and finance for ‘the missing middle’ i.e. small enterprises graduating from microfinance which are not yet able to access credit from the formal banking system, are potential borrowers for some banks and non-bank financial institutions. This sort of initiative creates opportunities for lower paid workers to develop their skills and gain access to improved professional opportunities, both within and outside of the financial services sector. The policy of inclusive finance also opens up the window for sustainable economic growth, full and productive employment and decent work for all which are the major objective of goal eight (Box-8).

Box 8: Promote Sustained, Inclusive and Sustainable Economic Growth, Full and Productive Employment and Decent Work for All (Goal 8)

- Standard Chartered Bangladesh has served the ship breaking sector for nearly 20 years, with most of its clients recognized as leaders in the industry. By 2007, a number of accidents had occurred in the ship breaking industry, though the frequency of accidents among Standard Chartered Bangladesh's clients had remained low. Given the social implication of these accidents, Standard Chartered requested all its ship breaking clients in Bangladesh and elsewhere to apply stringent safety measures as a condition of financing. This included a restriction on the purchase of ships with a high asbestos content. To secure a safer working environment for ship breakers, all Standard Chartered clients were requested to meet the standards of the International Labour Organization and International Maritime Authority. In making its changes –at the risk of losing business – Standard Chartered Bangladesh acted ahead of standards being enforced by the Bangladesh government. Subsequently, the government has introduced mandatory regulatory approval by the Department of Environment as a condition for any ship breaking activity taking place in Bangladesh.
- Șekerbank continues to develop its founding community banking mission, seeking to address the challenge of approximately 15 million unbanked people in Turkey (35% of the population). Since 2006, Șekerbank has been continuously working on a microfinance project mainly to offer credit to individuals who have just established their own business and do not have sufficient funds, or to small business owners that have not yet become accustomed to banking services. Within this project, it has introduced over 26,000 craftsmen and farmers to banking services, 42% of which are females. Șekerbank is extending its microfinance project to reach more unbanked people.

Source: Standard Chartered Bank and UN and KPMG (2017).

Long-term finance for public-private partnerships in transportation, renewable energy and communications infrastructure of some financial institutions are contributing to the development of resilient cities and trade globally. The initiatives ensure infrastructure investments within the sphere of influence are environmentally sensitive and respond to the needs of low-income users, women and other marginalized groups (including persons with disabilities, indigenous persons, racial and ethnic minorities and older persons) (Box-9).

Box 9: Build Resilient Infrastructure, Promote Inclusive and Sustainable Industrialization and Foster Innovation (Goal 9)

- Saudi Bangladesh Industrial and Agricultural Investment Company Limited, popularly known by its acronym SABINCO, is a joint venture Industrial Finance and Investment Company owned by the Governments of Saudi Arabia and Bangladesh. SABINCO promoted large number of medium and large scale industrial projects in manufacturing, agro-based and infrastructure sectors some of which were first of its kind in Bangladesh. With this view, SABINCO approved Tk. 84.37 million to Naz Auto Bricks Ltd., which is a Tunnel Kiln auto brick project. Tunnel Kiln has been projected as the lead technology for Improved Kiln Efficiency in the Brick Making Industries (IKEBMI) which will help for energy consumption and generate economies of scale by less pollution than other traditional processes. Study shows that Tunnel Kiln emits 50% less CO2 and consumes 50% less coal than FCK process.
- IBBL has financed Parash Rice Mills located at Noapara, Jessore. The company is utilizing rice husk for enabling electricity generation from 2012. In the rice mill, 160kg of rice husk is required for running the boiler for an hour. In addition to that, for generating 320 KW electricity, 260 kg husk is required to produce 30 kg/cm2 steam through a turbine. The cost of producing per unit electricity is taka 2.60.

Source: SABINCO, and IBBL

Financial institutions are now developing new pricing models which incentivize more sustainable production in the industry. Reuse and recycle principles are well encouraged in the lending decision as well as internal environment management of the banks (Rabinowitz and Prizzon, 2015). In an expansion of the branch, use of renewable energy and energy efficiency methodology is most common in developed countries (Box-10).

Box 10: Ensure Sustainable Consumption and Production Patterns (Goal 12)

Standard Chartered has committed to reducing energy use intensity in its operations by 35% in tropical locations and 20% in temperate locations between 2008 and 2019; reduce water use intensity in its operations by 71% between 2008 and 2019; and continue to embed its Supplier Charter which sets out the environmental and social standards it expects of its suppliers. Between 2008 and 2014, Standard Chartered reduced its energy use intensity by 9% in tropical and 22% temperate locations and reduced its water use intensity by 9 %.

In 2010 **Daegu Bank**, DGB Financial Group’s main subsidiary opened an Internet-based, environmentally-friendly branch in Korea. Its branch only offers green financial products covering deposits, loans, funds and credit card products, and donates a certain percentage of the profits to support regional environmental preservation activities.

Source: UN and KPMG (2017)

Investment in climate risk mitigation, climate resilience and climate adaptation including climate and green bonds, and other debt and equity instruments is very common under green banking concept. National and regional natural catastrophe insurance schemes are increasing. Some central banks are integrating climate risks into underwriting practices, investment analysis, and decision making. Under credit policy, the evaluation of risk of 'stranded assets' is included. Many banks are now measuring and publicly disclosing the carbon footprint of investment portfolios on an annual basis in accordance with The Montréal Carbon Pledge (including listed equities, fixed income, private equity, property and infrastructure) (UNEP ,2015). Leading examples in this regard are given in Box-11.

Box 11: Take Urgent Action to Combat Climate Change and Its Impacts (Goal 13)

- Dutch-Bangla Bank Participates in the World's first Compost Plant Commissioned under a CDM Project in Bangladesh to combat climate change and its impacts. World Wide Recycling Biofertilizer Bangladesh Ltd established the World's First Compost Plant commissioned under the Clean Development Mechanism (CDM) of the Kyoto Protocol. The plant is located in Bulta, in the Narayanganj district and has the objective of reducing the emission of 89,000 tonnes of GHG in the coming years. Vegetable waste is collected using the project's own transport networks and taken to the compost plants. Normally this organic waste is left behind in the city and on the landfill and causes floodings during the rainy season, health hazards and environmental pollution. The project is expected to reduce methane gas, which is 21 times more harmful than Co2 through managing daily waste of 700 tonnes and producing 50,000 tonnes of compost yearly. Besides, the project is said to create employment for 800 urban poor, including women. Total cost of the project is 12 million EUR, which is financed by FMO, Triodos Innovation Fund, World Wide Recycling/ Waste Concern and Dutch-Bangla Bank. In September 2010 the project received an honorable mention at the World Business and Development Awards.

NRW BANK, a state-owned development bank, actively supports the of the State of North Rhine- Westphalia (NRW)'s climate protection policy. It aims to increase environmental driven standards of living, reduce NRW's global carbon footprint, mitigate the impacts of climate change, improve ecological water management and contribute to the protection and promotion of biodiversity. It established the NRW BANK Green Bond Program in 2013 to increase the visibility of its sustainable loan book and issued a second Green Bond in 2014. NRW.BANK Green Bonds will be issued regularly to highlight its activities to capital markets participants, support further development of the Green Capital Market and trigger more investments in green assets. NRW.BANK aligned the program to the Green Bond Principles and obtained third-party assurance and an impact report for the NRW.BANK Green Bond 2014.

Source: DBBL, UN and KPMG (2017)

Now financial institution in collaboration with the World Bank, the Financial Stability Board and other stakeholders are reducing illicit financial flows by ensuring that cross-border financial flows use formal financial systems and scaling technical solutions such as the global Legal Entity Identifier system (which standardizes identification) and Know Your Customer platforms that help avoid duplicating due diligence work. Information flows among institutional investors on emerging or controversial issues are promoting responsible business in high-risk areas, ensuring investee companies see a clear correlation between responsible business and availability and pricing of capital. This integration among different international bodies is opening the opportunities for social enterprise and impact investment ventures particularly in post-conflict countries where SMEs and micro-enterprises play a critical role in providing jobs (Rabinowitz and Prizzon, 2015). Ensure these opportunities are inclusive and support the development of marginalized groups including women, persons with disabilities, indigenous persons, and racial and ethnic minorities (Box-12).

Box 12: Promote Peaceful and Inclusive Societies for Sustainable Development, Provide Access to Justice for all and Build Effective, Accountable and Inclusive Institutions (Goal 16)

- IDLC, in Bangladesh, has signed a MoU with Voluntary Service Overseas (VSO) Bangladesh for undertaking a Model Village Project at Sadarpur in Rangpur. The project is initiated as part of its commitment to CSR and sustainable development. With this project, IDLC undertakes various development activities in the areas of youth and community empowerment, sustainable livelihood generation, environmental management, and primary healthcare awareness, over a period of one year. The target village has a population of 1,024 and a total area of 161 acres. Majority of the people are dependent on agriculture for their livelihood. Major initiatives of the project are training on general accounting practice and basic knowledge of computer by IDLC staff; set-up of an IT Centre; solar panel for alternative power source; biogas plants set up and basic training; preparation and use of composed fertilizer; plantation of 1,000 fruit-bearing trees in 200 households; augmenting income-generation of these households; and health camp for health awareness, blood grouping, hand washing etc. for 3 times a year.
- In 2014, Standard Chartered more than doubled the staff working in Financial Crime Compliance. It has internal financial crime prevention policies and every year more than 80,000 of its employees complete training to prevent bribery, corruption and money laundering. It also has a human rights policy.

Source: IDLC, UN and KPMG (2017)

Now central banks of different countries are strengthening the link between corporate and societal value creation and align the value creation strategy for financial institutions to achieve the Sustainable Development Goals. Many financial institutions are adopting good practice principles and guidelines like equator principle, Global reporting initiatives, UNEP FI etc. which better align business practices with the seventeenth goal of SDGs. Several financial institutions are constructively engaging in international led processes including the four intergovernmental negotiations taking place in 2015 (i.e. the World Conference on Disaster Risk Reduction, the World Financing for Development Conference, the Summit to Adopt the Sustainable Development Goals, and the United Nations Climate Change Conference). Insurance sector initiatives and membership organizations (including the UNEP FI Principles PSI Initiative, the International Insurance Society, the Geneva Association and the International Cooperative and Mutual Insurance Federation) are demonstrating leadership in researching, debating and promoting the role of insurers in sustainable development. This includes an explicit recommendation to create a set of Insurance Development Goals, based on a pioneering global consultation by the PSI Initiative and the UNEP Inquiry on how insurance companies and insurance regulators could better support development through to 2030 (UNEP, 2015).

Section 6: Sustainable Development Goals and the Role of the Banking Sector

6.1 Functional Areas of Banking and the SDGs

There is a good scope for the banking sector to contribute significantly in achieving some of the Sustainable Development Goals (SDGs) through SME Financing. Since the SME sector in Bangladesh deals with labour-intensive technique, it is very beneficial for the country in employment generation and sustainable economic growth. It can obviously contribute to reduce poverty and income inequality. Microfinance is another way to address the problem of poverty. Since it creates a wider scope for the participation of women in the economic process, it can simultaneously contribute to poverty and inequality reduction in terms of both income and gender (Diagram-6.1 & 6.2).

Diagram 6.1: SME Financing & SDGs

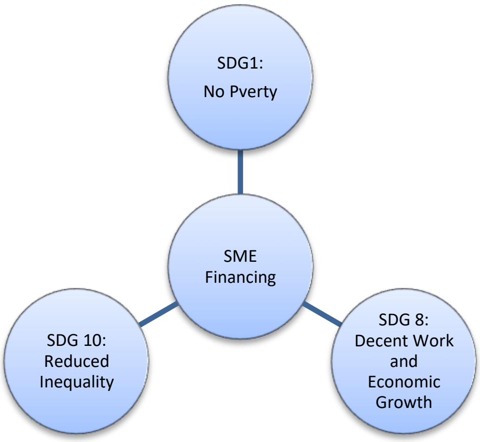
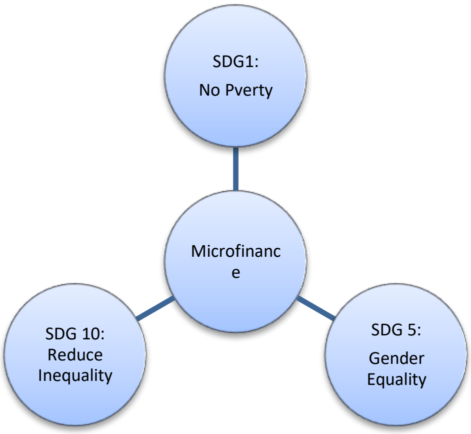


Diagram 6.2: Micro Finance & SDGs



Banks can also contribute through agricultural financing as it is related to food security. It may help to reduce poverty and hunger. Moreover, the issues of green financing and corporate social responsibility (CSR) are also related to some of the SDGs. In order to reduce environmental degradation, the practice of green banking is very much relevant. Along with this CSR is also important for a number of social and economic issues (Diagram-6.3& 6.4).

Diagram 6.3: Agricultural Financing & SDGs

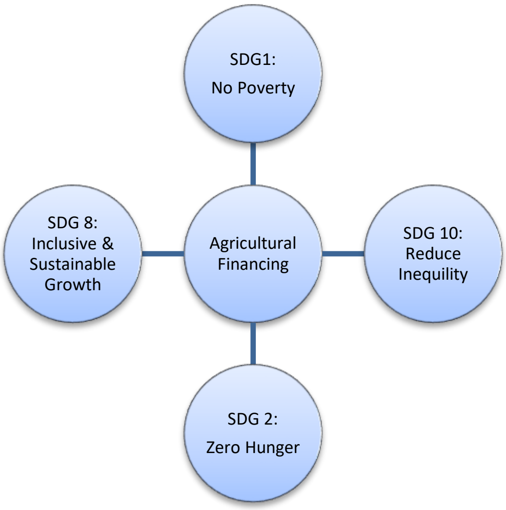
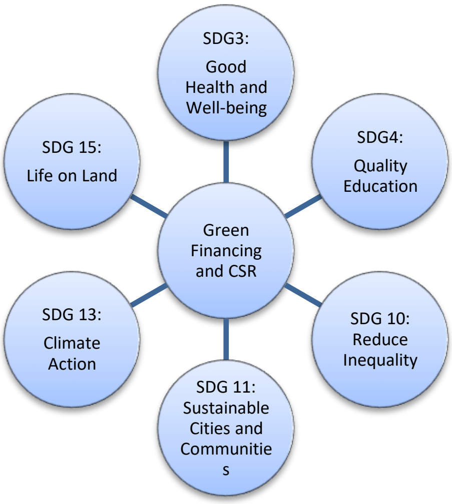


Diagram 6.4: Green Financing & SDGs



6.2 Bangladesh Bank Involvement with SDGs

Five out of seventeen goals of SDGs are directly and some other goals are indirectly related with the activities of the banking sector of Bangladesh. As a regulatory authority, Bangladesh Bank is actively working on the achievement of its related goals through inclusive and sustainable strategy and other policy measures. The closely related goals are - end poverty in all its forms everywhere (Goal 1), end hunger, achieve food security and improved nutrition and promote sustainable agriculture (Goal 2), achieve gender equality and empower all women and girls (Goal 5), promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (Goal 8), reduce inequality within and among countries (Goal 10).

As centrally all national plans (perspective plan, Seventh Five Year Plan) have been aligned with the SDGs, BB also is aligning its various policies like monetary policy, foreign exchange policy, banking regulation and policy, agricultural credit policy in line with SDGs. However, various departments of BB have been involved in achieving SDGs. Primarily nominated departments by BB are - Monetary Policy Department, Banking Regulation and Policy Department, Agricultural Credit Department, SME & Special Programs Department, Sustainable Finance Department, Financial Inclusion Department, Financial Stability Department, Payment Systems Department, Department of Financial Institutions and Markets, Foreign Exchange Policy Department, Debt Management Department, Financial Sector Support and Strategic Planning Department, Bangladesh Financial Intelligence Unit, Grihayan Tahbil & Fund Management Unit, Statistics Department, Department of Off-site Supervision, Credit Information Bureau, Information Systems and Development Department.

Institutional Arrangement of Bangladesh Bank

A Permanent Coordination Committee has been formed, headed by a Deputy Governor and comprising of General Managers (Head of Department) of the relevant departments. A Department (Sustainable Finance Department) in the Head Office of BB has been nominated as Coordinator and Focal Department. General Manager of that department will be working on the ‘SDGs as Focal Point Official of Bangladesh Bank’.

Bangladesh Bank has been pursuing its Monetary and Credit policy with a view to facilitating and strengthening economic growth, strategically focusing on inclusive financing through SME financing, Micro Finance, Agriculture Financing, Green Financing, Special financing for vulnerable groups including youth and women. One of the core functions of the Bangladesh Bank is to formulate and implement Monetary Policy tghrough fixing some monetary and credit targets aligned with SDGs and their targets. Banking Regulation and Policy Department (BRPD) regulates banking sector activities in keeping with the SDGs and their targets, promoting women entrepreneurship, and expanding bank branches based on the rural-urban planned ratio.

Agricultural Credit Department formulates Agricultural Credit Policy each year, setting targets for credit disbursement and recovery, and thereby contributing to increasing agro-production, reduce hunger and poverty as well as ensure food security. SME & Special Programs Department announced master circular in 2016 regarding SME financing, clearly defined ‘Cottage, Micro, Small and Medium Enterprises’ in manufacturing & service sector, Micro and Small Enterprises in trading sector and credit limit for financing to that sector. In addition, SMESPD expedites financing to CMSME by reducing the interest rate on lending to women entrepreneurs under the refinance scheme of the department. The operating guideline of Islamic Shariah Based Refinancing Fund has been amended. A monitoring cell is also opened in the department to closely supervise financing and refinancing to CMSME. In this way, SMESPD of Bangladesh Bank is working on the achievement of SDGs by 2030.

As stated above, Sustainable Finance Department has been primarily working as Coordinator and Focal Department of SDGs coordination committee in Bangladesh Bank where it will provide all types of knowledge and coordination support in monitoring & evaluation and capacity building functions. CSR activities and green banking of SFD are also very essentially linked with SDGs.

Financial Inclusion Department has been pursuing policies to bring unbanked section of the people and sectors of the economy under the umbrella of banking sector through various initiatives like opening no-frill account for farmers, refinancing for 10-taka account holders, school banking account; and introducing agent banking system etc. As more and more sectors and segment of population will be coming under the purview of the banking sector, the economy will be broad-based; growth will be sustainable as well.

Financial Stability along with price stability has been an important aspect for sustainability of any economy, especially after the global financial crisis in 2007-08. Bangladesh Bank as a regulatory authority of the banking and non-banking financial sector in Bangladesh has already established Financial Stability Department in its head office to monitor and oversee all types of financial risks, both from home and abroad. The department has established a Central Database for Large Credit (CDLC) to monitor the large exposures for avoiding higher risk in a more structured way. It prepares a financial stability report on a quarterly basis to see whether the economy as a whole or any institution lies with financial vulnerability and take measures necessary to overcome the problem if any.

Payment Systems Department has introduced national payment switch (NPS), Automated Teller Machine (ATM), Point of Sale (POS), E-Payment Gateway, Mobile Financial

Services (MFS) as well, ensuring uninterrupted transaction and contributing to sustainable development. Likewise above, Department of Financial Institutions and Markets, Foreign Exchange Policy Department, Debt Management Department, Financial Sector Support and Strategic Planning Department, Bangladesh Financial Intelligence Unit are actively working on the development of the financial sector of the economy in a different but integrated way which is closely related to SDGs, its targets and indicators. Statistics Departments (Department of Off-site Supervision, Credit Information Bureau, Information Systems and Development Department) is collecting and processing SDGs related data.

6.3 Policy Initiatives by Bangladesh Bank

6.3.1. Financial Inclusion Initiatives

Financial Inclusion for its positive and wide-spread role in building an inclusive society and achieving sustainable development is receiving a great deal of attention from the policymakers around the world. Bangladesh Bank through its different circulars, guidelines and moral suasion are guiding our banking sector to enlarge the scope of their financial services by taking care of the need of the so far financially excluded people. Bangladesh Bank is a principal member of the Alliance for Financial Inclusion, and in June 2015, Bangladesh joined the Better Than Cash Alliance (Brookings report 2016). Bangladesh is on the way to finalize and implement the national financial inclusion strategy under a committee chaired by the governor of Bangladesh Bank. A department named ‘Financial Inclusion Department’ was established within Bangladesh bank in 2015 to achieve the objectives of financial inclusion and to consolidate and better coordinate the financial inclusion initiatives in the central bank and of other public and private sector stakeholder. In fact, Bangladesh Bank has led the way of building an inclusive financial sector through the implementation of different guidelines/policy measures that include regulations relating to opening of bank accounts for the marginal and low earning group, making easy access to finance for the small and micro-borrowers, fair allocation of credit and other resources to the rural areas. Bangladesh Bank has also facilitated the growth of digital financial services by bringing timely regulations covering mobile financial services and agent banking.

No-frill account

The opening of no-frill deposit accounts constitutes a major policy tool for increasing the coverage of financial service network. BB has issued various circulars for the banks for opening and maintaining theses accounts targeting the different sections of the society.

Some major existing no-frill accounts are of following types:

Bank account for farmers: A farmer can open a bank account by depositing BDT 10 at any state-owned commercial and specialized bank against national ID card/birth registration card and 'agricultural equipment assistance card' issued by the Department of Agricultural Extension.

Bank accounts for Freedom Fighters: A freedom fighter can open a Bank account by depositing BDT 10 at any state-owned commercial and specialized bank against national ID card and Payment Receipt Book for freedom fighter's allowance.

Bank accounts for beneficiaries under Social Safety Net (SSN): SSN beneficiaries are entitled to open bank accounts by depositing BDT 10 at any state-owned commercial and specialized bank against national ID card and Payment Receipt Book containing Pension Payment Order (PPO) for the beneficiaries.

Bank account for the hardcore poor: A hardcore poor can open a bank account by depositing BDT 10 at any state-owned commercial and specialized bank against national ID card and registration card issued by the Ministry of Food & Disaster Management.

Bank account for the garments workers: All banks have been instructed to open a bank account for the garments workers with an initial deposit of BDT 100 against national ID card/ ID card issued by the respective employer.

Bank Account for Small Life Insurance Policy Holder: Small life insurance policyholders (up to BDT 0.15 million) can open a bank account by depositing BDT 100 at any state-owned commercial and specialized bank against national ID card/birth certificate and premium deposit book/document for life insurance.

Banking for working/street children: Working/street children can open a bank account with the help of an NGO working for them by depositing BDT 10 using birth registration certificate (birth certificate can be achieved free of cost). Two nominated officials from concerned NGO will be the custodian of the account.

Bank Account under national service program: An unemployed youth can open a bank account by depositing BDT 50 at any scheduled bank under National Services Program.

6.3.2 Financial Literacy

Financial literacy is important for increasing financial inclusion and for that, BB introduced the opening of saving accounts for the school going students in 2010. This is basically a saving account, which can be opened with a minimum deposit of BDT 100. However, other savings scheme may be opened with fund transferred from this account. 49 out of 57 banks operating in Bangladesh have started school banking. BB has issued policy guidelines for school banking.

6.3.3 Alternative Delivery Channel

Mobile Financial Service

Mobile financial service has become one major contributor in Bangladesh in providing services to the financially excluded people in a cost-saving way. It may be mentioned that BB has earned Alliance for Financial Inclusion (AFI) Policy Award for its successful regulation of mobile financial service. Bangladesh started the automation of clearing house in Bangladesh in 2006 under Remittance and Payment Partnership Project (RPP). In 2010, BB gave permission to banks to start mobile banking service operation in Bangladesh. Bangladesh is experiencing a rapidly growing mobile financial services industry.

Mobile banking may be either bank led or mobile operator-led. Bank-led model is followed in Bangladesh which is convenient for the illiterate/less educated persons and low-income earners of the society. Mobile banking services include the opening of mobile account which is a limited purpose non- chequing account requiring a short KYC form. A customer can open an account from the agent point of bank branch using NID / driving license/ passport/birth certificate and photograph through filling out the related form. Mobile account holders get interest/ profit on the deposited money. For operating this account, customers use a confidential PIN number. BB has issued Guidelines on Mobile Financial Services for the Banks for the operation of mobile financial services. BB has a plan to make mobile financial services interoperable using NPSB.

Agent Banking

The underserved population receives limited scale banking and financial services through agent banking. The agents own outlets which provide banking services on behalf of a bank under a valid agency agreement with the concerned bank and agent. As the establishment of a sufficient number of branches in the rural areas is expensive, agent banking has become a cost-effective way of doing business in many parts of the world and works as an important channel for financial inclusion. Agent banking is suitable for a financial institution with a limited branch network in rural areas. Through agent banking, outreach can be considerably enhanced, and if planned and implemented intelligently, agent banking may be profitable for the financial institutions as well. BB has issued guidelines for promoting agent banking as a complementary channel for financial inclusion. Scheduled banks in Bangladesh are required to obtain prior approval from Bangladesh Bank for undertaking agent banking business. The services provided by the agents include small value cash deposits and cash withdrawals, inward remittance.

6.3.4 Agricultural and Rural Credit

The oldest endeavor for reaching out with financial services to excluded population segments is the enhancement of agricultural and rural credit. BB has undertaken Inclusive Agricultural & Rural Credit Policy for ensuring access to finance for those who are engaged in this sector. The participants of agricultural and rural financing are the Co-operatives, MFI's and 57 banks. The major areas of core Agricultural and Rural Credit sector which receive policy support of BB are crop, fisheries, livestock, agricultural-equipment, irrigation equipment, and poverty alleviation and employment generation activities.

In the Annual Inclusive Agricultural & Rural Credit Policy and Programme, BB has taken a number of initiatives supportive to financial inclusion. Bangladesh Bank made mandatory for all private & foreign banks to disburse agricultural & rural credit as a minimum of 2% of their total loans and advances. The maximum interest rate for agricultural and rural credit is 11% on reducing balance method. The concessional interest rate for import substitute product like pulses, oilseeds, spices, and maize has been introduced at a rate of 4%. In this case, Government of Bangladesh provides 6% subsidy through BB. Besides, BB has undertaken following innovative initiatives in its inclusion drives.

Effective use of Bank-MFI partnership: All scheduled banks including the private and foreign banks operating in Bangladesh have to undertake Agricultural Credit Program. Banks, operating with few branches in rural areas, may conduct the agricultural and rural credit operations in partnership with the Micro Finance Institutions (MFIs) approved by Microcredit Regulatory Authority (MRA).

Credit for the Less Developed and Neglected Areas on Priority Basis: In the agricultural and rural credit policy, access to finance for people living in less developed and neglected areas have been emphasized. Banks have been advised to give priority to less developed and neglected areas like char, haor, coastal areas for extending agricultural and rural credit.

Disbursement of Agricultural Loan Publicly: Banks are required to disburse agricultural credit openly in the presence of local representatives from the union, concerned agriculture officers, teachers, and other respected persons to ensure transparency in the disbursement procedure. Accordingly, the banks are taking initiatives to disburse agricultural loan publicly.

Climate Change Effect: In order to adapt the adverse effects of climate change, banks are advised to be flexible in the schedule of credit disbursement and recovery according to the local needs. Side by side, credit should be facilitated for the entrepreneurship to cultivate salt prone crops in salty areas, water tolerating crops in water and flood-affected areas, drought tolerating crops in drought-affected areas.

Credit for Physically Handicapped People: Banks are advised to extend credit facilities to the physically handicapped people against various agricultural/non-agricultural self-employed income generating activities keeping in view the nature of handicappers.

Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project (SMAP): The objective of the project is to increase agricultural productivity and diversity of the small and marginal sized farmers (SMFs) of Bangladesh by providing agricultural loans and providing agricultural training services to farmers through microfinance institutions. The duration of the project is of approximately 7 (seven) years. Under SMAP, JICA will lend to GOB at concessional ODA loan. These funds will, in turn, be on-lend to the participating microfinance institutions by BB, which would then be re-lend / disburse the fund to the small and marginal sized farmers (SMFs).

Refinance: As a policy support banks/MFIs are instructed to disburse agricultural and rural credit at a concessional rate or forced to disburse a certain percentage of total loans as rural and agricultural credit. BB arranges refinancing facilities for the participating financial institutions. For this, BB has established various refinance schemes out of its own fund or of fund of the development partners. The refinance schemes are as follows:

Special Refinance scheme for share-cropper: A special credit scheme has been initiated by BB in the fiscal year 2009-10 to provide credit facilities in a timely, non-harassed, collateral-free manner with low-interest rate through BRAC (MFI) to the sharecroppers who have been so long remained deprived of bank credit. Under the ‘Agricultural and Rural Credit Policy and Programs’ of Bangladesh Bank, all scheduled banks are advised to disburse agri-credit towards sharecroppers on individual or group basis.

Special Prudential Regulations and Monitoring of Agricultural Credit: BB has some special prudential regulations for agricultural credit. There is no special mention account category in the loan classification procedure in case of agricultural and microcredit. Rescheduling of loans is allowed without down payment. The maximum rate of interest on agriculture and term loans to the industrial sector is 11%. On the other hand, BB has developed a three-tier monitoring system for ensuring end use, timely disbursement, and recovery of agricultural and rural credit. BB also carries out an on-site inspection of branches and head offices of banks. BB coordinates with its branch offices and District Agricultural Credit Committee**.** BB also monitor at grass-root level end users using a mobile phone.

6.3.5 Bangladesh Bank's Key Policy Initiatives to Encourage SMEs

During the last few years, BB has taken a number of steps aiming at inclusive economic growth. As recognition of these efforts, the Alliance for Financial Inclusion (AFI) has elected Bangladesh Bank as its SME Finance Working group Co-chair. SME and Special Programmes Department' has been established in Bangladesh Bank which is solely responsible for policy formulation, facilitating fund, monitoring, and development of entrepreneurship in the SME sector[1] The department has provided banks with guidelines and prudential regulation to facilitate business in the small enterprise and MSMEs' segment. SME Credit Policies and Programs formulated by BB includes i) Setting up an indicative target for SME loan disbursement ii) Following the Area Approach Method iii) Cluster development Policy, iv) Priority to the small entrepreneurs, women entrepreneurs, v) Special emphasis for manufacturing and service sectors, vi) Monitoring SME activities in the Head Office of BB, vii) Developing separate business strategies in financing SME, and viii) Speedy loan sanction and disbursement process.

Bangladesh Bank has introduced several schemes and programmes to flourish and expand SME Enterprises. Refinance scheme funded by Bangladesh Bank, IDA and ADB have been facilitated for the development of SME Sector. Besides, to ensure institutional financial facilities under easy conditions Bangladesh Bank has taken diverse steps; like the opening of 'Dedicated Desk' for SME and 'SME Service Centre' in the banks and special facilities for the women entrepreneurs. Bangladesh Bank, with the help of Government and different development partners, has been implementing eight different revolving refinance facilities for banks and NBFIs. These are Refinance Scheme for Agro-based Product Processing Industries, Refinance Fund for New Entrepreneurs under Cottage, Micro and Small Categories, Islamic Shariah-based Refinance Scheme, Refinance to Women Entrepreneurs, New Entrepreneurs Creation, and Entrepreneurs' Development, Urban Building Safety Project (UBSP), Local Finance Initiatives (LFI). All banks and NBFIs are required to trace at least 3 new women entrepreneurs/willing to be entrepreneurs, by each of their branches, who never availed any formal credit facilities from any of banks or NBFIs.

6.3.6 Green Banking Initiatives

Green banking refers to the integration of financial institutions in addressing the initiatives to achieve sustainable development goals. Now an increasing number of banks are going green by providing innovative products that cover financial services to support the activities that are not hazardous to the environment and help conserve environment (Montaldo, 2013). Green Banking is conducted in such areas and in such manners that

[1] Small and Medium Enterprise (SME) Credit Policies & Programmes, SME & Special Programmes Department Bangladesh Bank Head Office, Dhaka, available at https://www.bb.org.bd/sme/smepolicye.pdf

help overall reduction of carbon footprint[2] and other pollutions and help to preserve scarce resources for future generation. Green banking activities do not only improve their own standards but also affect the socially responsible behaviour of other businesses. Thus, green banking activities can contribute greatly in realizing the sustainable development and could prove to be a crucial force on the way to implementing some sustainable development goals (IFC and SNB, 2017).

Bangladesh Bank, the country's central bank, has been at the forefront amongst government agencies in introducing green banking, to transform policies, regulations, and interventions into greener and more sustainable financial system for supporting the initiatives to achieve sustainable development goals. Before introducing green banking concept, Banks and NBFIs of the country were advised by BB to take steps in financing to control environmental pollution back in 1997[3]. Considering the adverse effects of climate change, banks have been advised by BB to be cautious about the adverse impact of natural calamities and encourage the farmers to cultivate salinity resistant crops in the salty areas; water-resistant crops in the water-logged and flood-prone areas; drought-resistant crops in the drought-prone areas; using surface water instead of underground water for irrigation and also using organic fertilizer; insecticides by natural means instead of using chemical fertilizer and pesticides[4].

The most remarkable step of BB on the way to promoting & implementing green banking is the comprehensive circular[5] of BB on 'Policy Guidelines for Green Banking', issued in February 2011[6]. The policy has later been enforced for NBFIs as well. The green banking policy circular points out some incentives in the form of preferential treatments for the compliant banks. BB prepared and circulated a Guideline on Environmental Risk Management (ERM)[7] on January 30, 2011, to streamline solutions for managing the environmental risks in the financial sector. In 2017, BB has redesigned the Guideline on Environmental Risk Management (ERM) and named The Environment and Social Risk Management Guideline (ESRM)[8] which cover both social and environmental risk issues in bank's investment. To boost up green financing, in 2014, BB instructed banks and NBFIs to provide direct green finance as the following percentage of total funded loan disbursement on annual basis[9]. BB introduced Taka 2.0 billion revolving refinance scheme in 2010 to encourage banks for financing solar energy, bio-gas plant, ETP and

[2] It is the total set of greenhouse gas emissions caused by an organization, event, product or person.
[3] BB BRPD Circular No-12 dated October 08, 1997; BRPD Circular No-21, November 10, 1999.
[4] BB ACSPD Circular No-04, dated July 14, 2009.
[5] BB BRPD Circular No-2, February 27, 2011.
[6] BIBM was part of formulation of Draft of the Policy Framework.
[7] BB BRPD Circular No-1, January 30, 2011.
[8] Irrespective of the source of fund, 'Guidelines on ESRM' will be the master framework for the banks and FIs in assessing E&S risks in their credit/investment proposals/accounts, managing E&S risks in their credit/investment portfolio and establishing Environmental and Social Management System within their organization.
[9] Old banks-5%; NBFIs- 4%; new banks- 3% by 2015 and the target is 5 percent for all banks and NBFIs from 2017.

HHK in a brick field[10]. Banks & FIs can avail refinance facility against their finance in the specified sectors. Under the scheme, BB provides the refinancing facility at 5% rate to the banks and FIs. Banks and FIs can use it as maximum 9% for disbursing to direct end-user (BB issued the latest Master Circular in March 2017 on Refinancing that identified different rates for different tenures). As of now, 52 products are included under the refinancing scheme. BB segregated these products into 8 categories which are: renewable energy, energy efficiency, waste management, alternative energy, environment-friendly brick kiln, recycling & recyclable product, green establishment, and others. BB has taken 'Financial Sector Support Project' (Jointly funded by IDA and BB own Fund) which is practically a long-term financing window for the manufacturing firms and exports oriented industries. These manufacturing and export-oriented industries may be greatly benefited from the green auditors in identifying green and green monitoring perspective. Green Transformation Fund (GTF) is a relatively recent initiative in 2016 of USD 200 million to ensure sustainable growth in export-oriented textile and leather sectors conducive to the transformation of the green economy in the country. It is intended to facilitate access to finance in foreign exchange by all manufacturer-exporters in export-oriented textiles & textile products and leather manufacturing sectors to import capital machinery and accessories for implementing environment-friendly initiatives[11]. The initiatives include water use efficiency in wet processing; water conservation and management; and renewable energy and energy efficiency. However, BB has introduced a separate department, 'Sustainable Finance Department', to ensure proper initiatives in attaining government goal to achieve sustainable development goal.

6.3.7 Microfinance

Microfinance institutions (MFIs) have been playing a major role in financial inclusion by disbursing small size loan to the unbanked and poorest segment of the population popularly known as micro-credit for self-employed income generating activities. This inclusion process started with the initiation of the Grameen Bank in the early 1980s. In Bangladesh, the MFIs are regulated by the Microcredit Regulatory Authority (MRA). The financing process starts with the formation of a group, which initially receives group-based training and then loans for self-employment income generating activities. Typically, the members deposit two types of deposits in an MFI, permanent deposits, and withdrawable deposits. The loans are repayable in several installments and usually, all group members are jointly held responsible for any default of any individual group member. It is a matter of debate whether the member of an MFI, who has no other banking facilities, is financially included or not since the financial services received from the MFIs do not satisfy the standard definition of financial inclusion. Moreover, almost

[10] BB ACSPD Circular No-9, July 08, 2010.
[11] BB FEPD Circular No.-27 February 02, 2016.

one-fourth of the population of Bangladesh still lives in extreme poverty and do not have the capacity, measured in terms of the cost of the transaction and financial literacy, to get banking services. Many of them do not have access even to microfinance; it works for most of them as a ladder of receiving broader financial services from more formal sources.

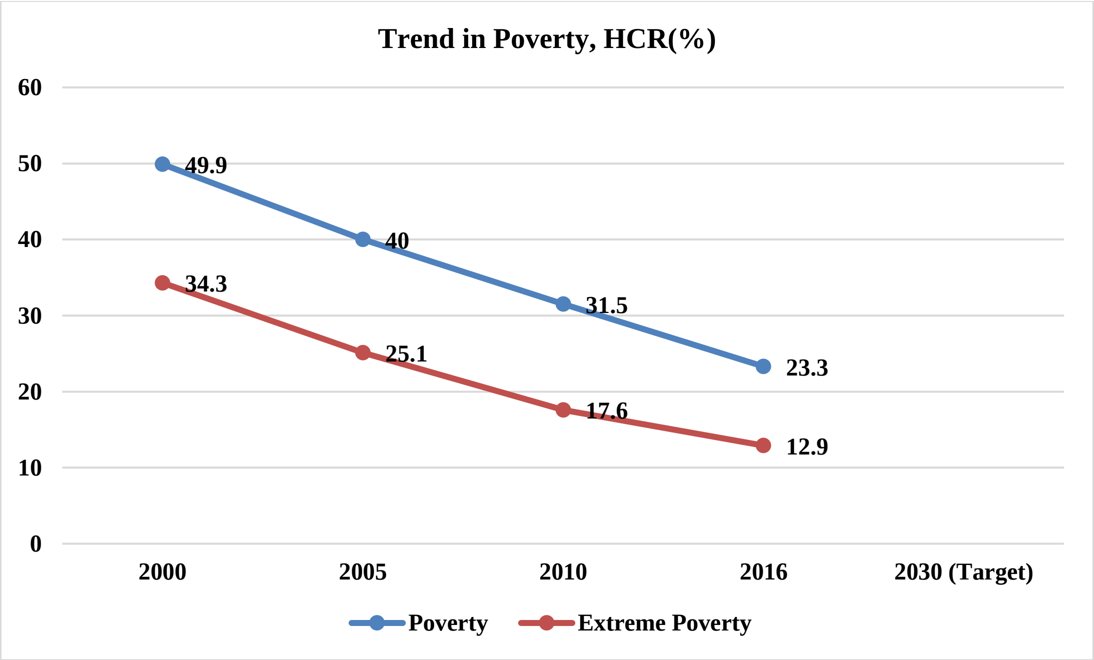
BB has taken some initiatives in expediting the microfinance activities. BB governor is the Chairman of the MRA. Moreover, BB has framed innovative bank–MFI partnership policy regarding distribution of agricultural and rural credit by banks having limited or no rural branch network. Special refinance scheme for the share-cropper project and Small and Marginal Sized Farmers Agricultural Productivity Improvement and Diversification Financing Project are examples of some initiatives.

6.4: Status and Progress of Key Banking Sectors Indicators Relating to SDGs

6.4.1 SDGs related Macroeconomic Indicators

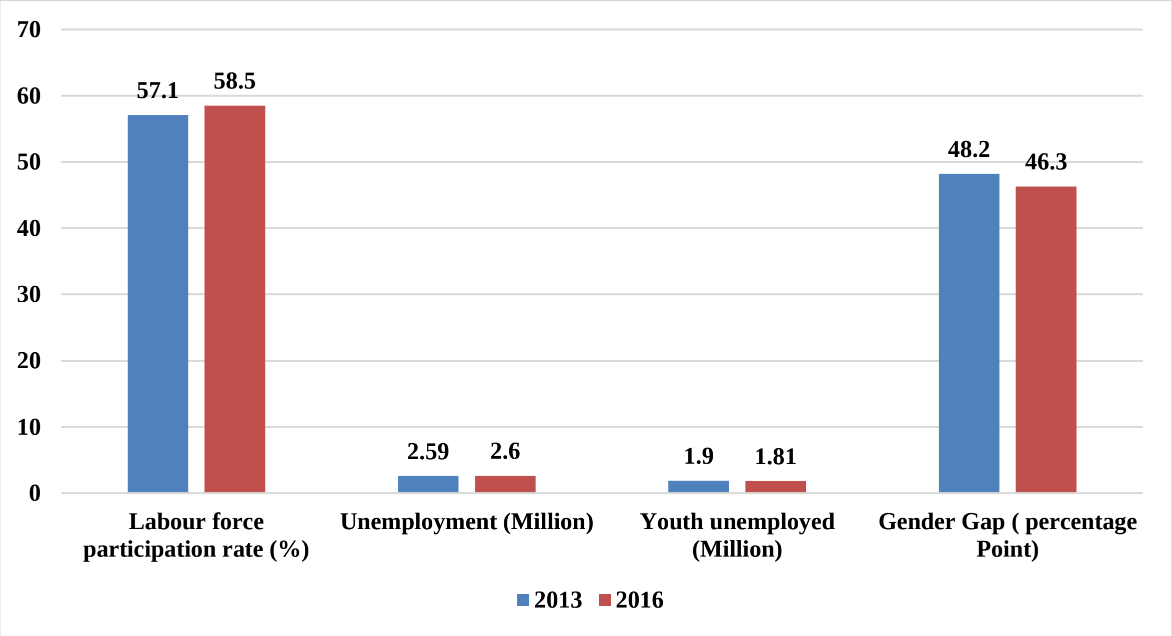
Eradication of poverty in all forms is the first goal under the SDGs framework. Bangladesh has been experiencing a steady GDP growth with rising per capita income. Consequently, poverty situation has also improved rapidly till 2016 (Figure-6.1).

Figure 6.1: SDGs: Poverty and Labor Market Chart: Trend in Poverty, Head Count Ratio (HCR)



Source: Labor Force Survey, Bangladesh Bureau of Statistics.

Figure 6.2: Labor Market Trend and Outlook in Bangladesh



Source: Labor Force Survey, Bangladesh Bureau of Statistics.

One of the important goals of SDGs is to end poverty in its all forms by 2030 which is very much associated with unemployment reduction. If the economy can maintain full employment situation, the country can be poverty-free. Figure-6.2 indicates that labor force participation has increased by only 1.4 percentage points to 58.5 percent in 2016 from 57.1 percent of 2013, meaning only less than 0.5 percentage point increase per year. This must be geared up to reach the goal of ending poverty by 2030. This requires huge investment both in large and labor intensive micro and small-scale industry. However, the recent data on labor force participation is not available.

6.4.2 Financial Inclusion Indicators

Table-6.1 shows the status of financial inclusion in terms of a set of indicators in different countries including Bangladesh. It is evident that U.S.A and Germany are far ahead of other reported countries in all aspects of financial inclusion. Among our neighboring countries, Bangladesh is lagging behind India and Sri Lanka so far as financial inclusion is concerned. Table-6.2 represents the share of urban and rural advances and deposit (in percent) in different types of banks during the period 2009 to 2017. It is observed that the share of rural deposit and advance has gradually increased in the reporting periods although the distribution of resources in the rural areas did not match with its contribution in the deposit.

Table 6.1: Status of Financial Inclusion in Different Countries

Country	% of bank account	% of Using Debit Card	Receiving Wages through A/C	Making Payment (Debit Card)	Dom. Rem. By FIs A/C	Saving in FIs	Borrowing from FIs
Bangladesh	31.0	5.2	1.6	1.0	9.0	7.4	9.9
India	53.1	22.1	4.0	10.7	--	14.4	6.4
Sri Lanka	82.7	24.9	7.1	10.4	28.8	30.9	17.9
Pakistan	13.0	2.9	1.4	1.0	15.7	3.3	1.5
Nepal	33.8	6.7	2.4	2.6	20.5	16.4	11.9
Bhutan	33.7	17.2	6.4	10.1		22.6	4.2
Malaysia	80.7	41.2	30.8	18.6	78.8	33.8	19.5
U.S.A.	93.6	76.2	43.3	67.1	--	54.1	23.3
Germany	98.8	92.0	47.2	79.2	--	57.9	18.6

Source: World Bank. Little Data Book on Financial Inclusion 2015

Table 6.2 Share of Urban and Rural Advance and Deposit (in percent)

Year	Advance		Deposit	
	Urban	Rural	Urban	Rural
2009	92.10	7.90	86.79	13.21
2010	92.16	7.84	86.82	13.18
2011	92.27	7.73	86.58	13.42
2012	89.75	10.25	82.23	17.77
2013	89.85	10.15	81.70	18.30
2014	90.05	9.95	80.87	19.13
2015	90.15	9.85	80.16	19.84
2016	89.83	10.17	79.50	20.50
2017	89.41	10.59	79.44	20.56

Source: Scheduled Bank Statistics, BB

Deposit-GDP ratio and advance-GDP ratio that indicate financial deepening is shown in Table-6.3. Despite advance-GDP ratio gradually increased over the period of FY2006-FY2017, the deposit-GDP ratio had experienced ups and down. Table-6.4 shows division-wise distribution of advance which shows high concentration of advance in two major cities viz. Dhaka and Chittagong.

Table 6.3: Total Deposit and Advances as % of GDP (in crore taka)

Year	Total Deposit	Total Advances	GDP	Deposit as % of GDP	Advances as % of GDP
	(In Crore TK)	(In Crore TK)			
2005-06	157761.5	129648.1	416155	37.91	31.15
2006-07	184798.7	148429.8	467497	39.53	31.75
2007-08	215998.1	183114.4	541919	39.86	33.79
2008-09	260309.5	214218.6	614795	42.34	34.84
2009-10	316664.6	264182.2	694324	45.6	38.04
2010-11	385525.1	326634.2	787495	48.96	41.48
2011-12	458448.5	387683.9	914800	50.11	42.38
2012-13	535638.8	428315.1	1037987	51.6	41.26
2013-14	623322.7	485399.7	1350921	46.14	35.93
2014-15	699183.6	552948.2	1515802	46.13	36.48
2015-16	793706.3	642895.7	1732864	45.80	37.10
2016-17	877882.8	743650.2	1975817	44.43	37.63

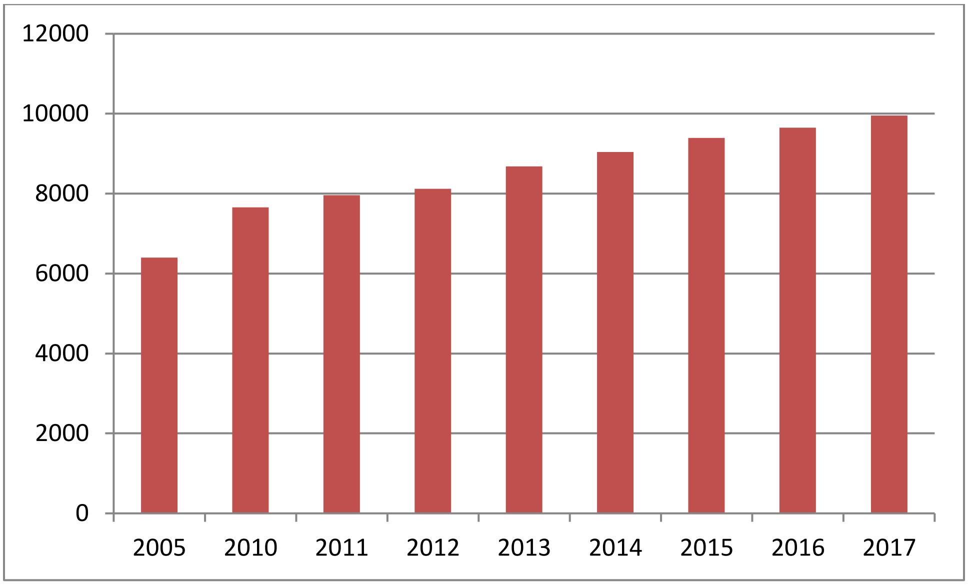
Sources: Monthly Economic Trends, BB

Table 6.4: Division-wise Distribution of Advance (as % of total Advance)

Year	Dhaka	Chittagong	Rajshahi	Khulna	Barisal	Sylhet	Rangpur	Mymensingh
2009	67.55	19.52	5.63	4.61	1.10	1.59	N/A	N/A
2010	66.56	19.92	3.72	4.91	1.02	1.67	2.19	N/A
2011	66.75	19.94	3.76	4.58	1.07	1.63	2.26	N/A
2012	67.06	19.98	3.77	4.43	1.04	1.51	2.22	N/A
2013	67.23	19.80	3.85	4.20	1.10	1.52	2.30	N/A
2014	67.58	19.35	3.90	4.20	1.11	1.50	2.36	N/A
2015	66.44	19.10	3.92	4.20	1.11	1.37	2.39	1.45
2016	66.23	19.00	4.03	4.19	1.14	1.36	2.52	1.52
2017	66.18	18.80	4.03	4.10	1.27	1.59	2.41	1.62

Source: Scheduled Bank Statistics. BB
Note: N/A-Not Applicable

Figure 6.3: Trend in Bank Branch Expansion



Source: Bangladesh Bank.

Bank branch expansion is a tool of expanding economic activity through the banking sector. It is observed that the number of bank branches gradually increased from 6402 of 2005 to 9955 in 2017, indicating the expansion of economic activities during the period 2005-2017 (Figure-6.3).

Table 6.5: Share of Urban and Rural Branch

Year	Urban	Rural
2005	41.21%	58.79%
2006	41.57%	58.43%
2007	42.03%	57.97%
2008	42.19%	57.81%
2009	42.45%	57.55%
2010	42.64%	57.36%
2011	42.83%	57.17%
2012	42.90%	57.10%
2013	42.87%	57.13%
2014	43.03%	56.97%
2015	43.24%	56.76%
2016	43.38%	56.62%
2017	43.51%	56.49%

Source: Scheduled Bank Statistics, BB

Considering the share of urban and rural bank branches (presented in Table 6.5) it is found that percentage share of rural branches remained stably high with a slight decline in the proportion of rural branches during the stated period.

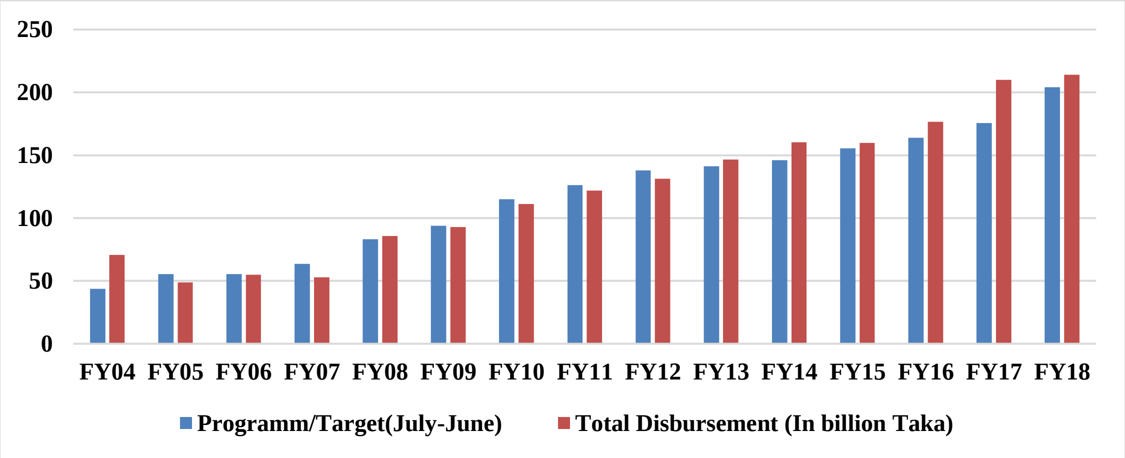
Table 6.6: Share of Agriculture, Fishing & Forestry Advances to Total Advances (%)

Types of Banks	SOCBs	SBs	FCBs	PCBs	All Banks
2010	6.60	49.88	0.58	1.15	5.69
2011	6.38	48.52	1.77	1.43	5.59
2012	6.31	41.61	2.08	0.95	4.85
2013	7.28	43.65	3.81	1.30	5.59
2014	5.33	40.57	3.94	1.65	5.08
2015	6.85	66.93	2.12	1.88	5.40
2016	6.86	72.73	1.81	1.79	5.37
2017	6.61	79.12	4.44	2.21	5.49

Source: Scheduled Bank Statistics, BB

Though the percentage of agriculture, fishing & forestry advances to total remained stable around 5.5, one can have better perception looking over the Table-6.6 because these are very small sectors of the economy and larger amount of advance in these sectors does not change the share much.

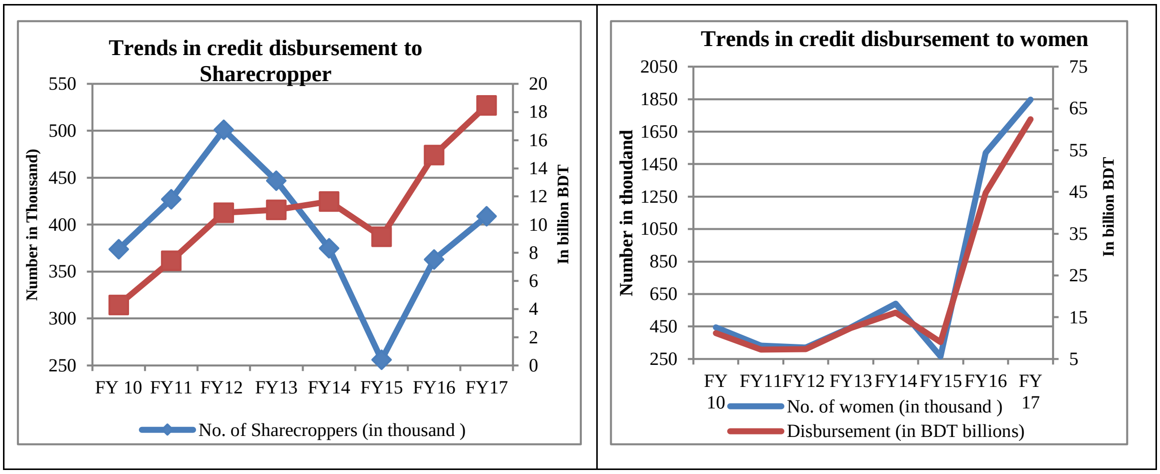
Figure 6.4: Trend in Credit Program and Disbursement of Agricultural Credit during FY 04-FY17'



Source: Bangladesh Bank.

Achieving food security with hunger-free goal requires increased food production consecutively keeping pace with increased demand for additional population. Agriculture must be mechanized and farmers' access to credit, let it be formal or non-formal, must be increased. Figure-6.4 demonstrates the trend of agricultural (agriculture and non-farm rural) credit expansion in Bangladesh. The figure focuses on the excellent performance of credit disbursement in agriculture at least for the last six years when credit disbursement always exceeded the target. Consequently, food production has gone up in many folds. This trend must be continued with ensuring the fair price of crops to achieve the goal.

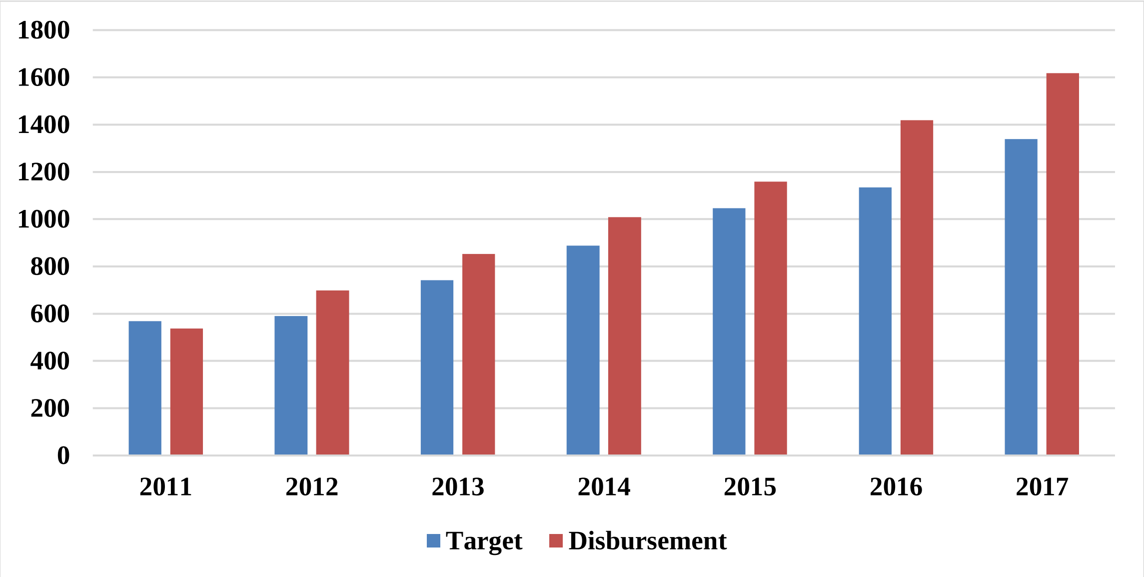
Figure 6.5: Trend in Agriculture Credit Disbursement to Sharecropper and Women during FY 10-FY17'



Source: Bangladesh Bank.

While agricultural credit to sharecroppers and women entrepreneurs seems to be more productive and helpful in achieving poverty reduction, gender equality, and economic growth as well, both the number of sharecroppers & women entrepreneurs and credit disbursement to them has been impressive since FY2015, indicating better recent performance of financial inclusion.

Figure 6.6: Trend in SME Loan Target and Disbursement (in billion Taka)



Source: Bangladesh Bank.

While SME loans are considered to be largely related to poverty reduction, employment generation, economic growth, Figure-6.6 shows that disbursement of SME loan exceeded the target over the period under consideration. Hence, progress is impressive so far.

Table 6.7: Proportion of Total Financial Sector SME Loans to Total Loans of Banks (%)

	2011		2012		2013		2014		2015		2016		2017	
	SME/ T[1]	S/ SME[2]	SME/ T[1]	S/ SME[2]	SME/ T[1]	S/ SME[2]	SME/ T[1]	S/ SME[2]	SME/ T[1]	S/ SME[2]	SME/ T[1]	S/ SME[2]	SME/ T[1]	S/ SME[2]
Total FS	20.76	50.03	22.35	51.18	23.85	50.16	24.55	47.34	20.98	44.93	21.43	43.7	17.35	51.89

Source: Quarterly SME Loan Statement, SME & SP Department, and SBS, BB

NB: [1] Percentage of SME Loans to Total Loans, [2] Percentage of the Small loan to Total SME Loans.

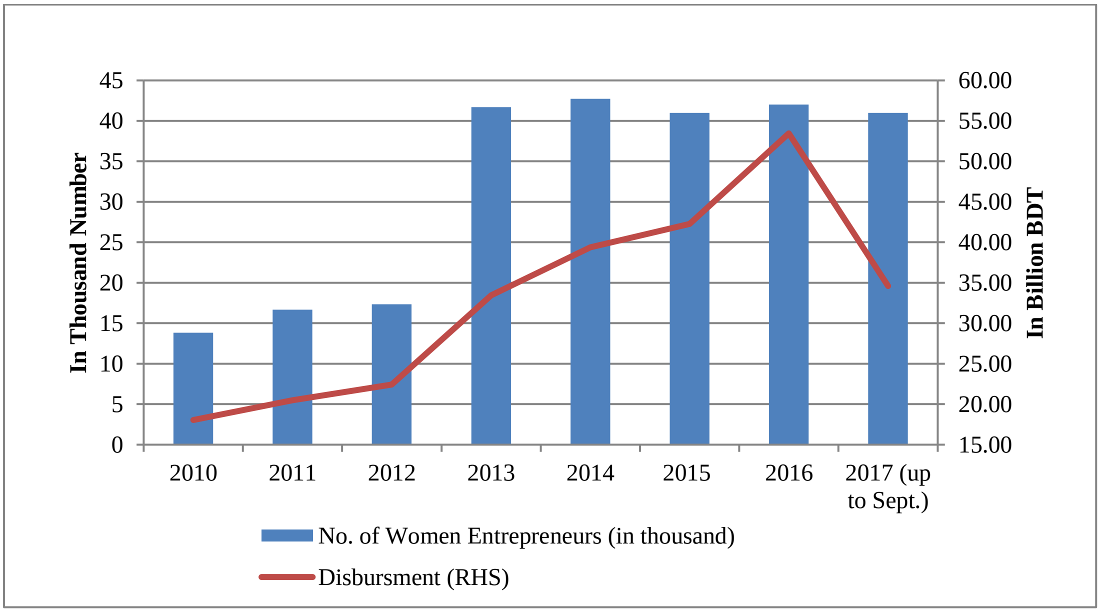
Table 6.8: Proportion of SME Loans by Banks to Total Loans of Banks (%)

Year	SME to Total Loan
2010	14.51%
2011	12.07%
2012	13.10%
2013	13.98%
2014	14.56%
2015	17.84%
2016	18.65%
2017	17.35%

Source: Quarterly SME Loan Statement, SME & SP Department, and SBS, BB

Table-6.7 shows the proportion of financial sector SME loan to total loans. It also shows the percentage of small to total SME loans over the years. The percentage of SME to total loans was significantly high in 2014 (24.55%) and the percentage of small to the total loan was comparatively high in 2017 (51.89%) in the given time period. Table 6.8 shows the proportion of SME loans by banks to total loan. In Table-6.8, the proportion of SME loan to total loans of banks was significantly high in 2016 (18.65%) in the given time period.

Figure 6.7: Trend in SME Loan Disbursement to Women Entrepreneurs



Source: Bangladesh Bank.

Almost half of our population is women. Keeping them unemployed or lag behind development will not be effective; hence achievement of SDGs will be hindered. With this motivation, women entrepreneurs have been encouraged and incentivized in a different way. Although Figure-6.7 broadly points to the increasing trend of the women entrepreneurs and SME credit disbursement to them. But, credit disbursement surprisingly sharply fell in 2017, though the number of women entrepreneurs increased much. This is actually not surprising because credit disbursement in the trading sector of the cottage and medium scale industries has been excluded since 2017.

Small and Medium Enterprise (SME) including micro & cottage industry financing is another important approach followed by banks for financial inclusion. Table-6.9 depicts the status of SME entrepreneurs and their growth. In the financial system (FS) of Bangladesh, a total number of SME entrepreneurs was 436420 in 2017. The growth of female entrepreneurs in 2017 is negative against 11.25% growth of the male entrepreneur in the same year. Table-6.10 shows the growth of SME enterprise financing. The pace of growth is different in different years.

Table 6.9: Status of SME Entrepreneurs and their Growth

	2010	2011		2012		2013		2014		2015		2016		2017	
	No.	**No.**	**Growth**	**No.**	**Growth**	**No.**	**Growth**	**No.**	**Growth**	**No.**	**Growth**	**No.**	**Growth**	**No.**	**Growth**
FS-Total	308726	319341	3.44	462513	44.83	744252	60.91	541656	-27.22	402524	-25.69	394184	-2.07	436420	10.71
Male	295003	302644	2.59	445151	47.09	702533	57.82	498926	-28.98	388916	-22.05	377073	-3.04	419502	11.25
Female	13723	16697	21.67	17362	3.98	41719	140.29	42730	2.42	13608	-68.15	17111	25.74	16918	-1.13

Source: Quarterly SME Loan Statement, SME & Special Programmes Department

Table 6.10: Number of New SME Enterprise Financing

	2012	2013		2014		2015		2016		2017	
	No.	**No.**	**Growth**	**No.**	**Growth**	**No.**	**Growth**	**No.**	**Growth**	**No.**	**Growth**
FS-Total	26687	65509	145.47	84013	28.25	97820	16.44	81045	(17.15)	71913	(11.27%)

Source: Quarterly SME Loan Statement, SME & Special Programmes Department
NB: "()" Indicates Negative growth rate.

School banking is another important factor for financial inclusion. It is very much linked with the financial literacy. Table-6.11 represents the status of school banking accounts for different types of banks in Bangladesh. The percentage share of SOCBs was 19.63% in 2014 which increased to 30.58% at the end of the year 2017. The total number of school banking accounts is increasing over time.

Table 6.11 Accumulated Balance of School Banking Account

Types of Bank	2014		2015		2016		2017	
	No.	%	No.	%	No.	%	No.	%
SOCBs	166895	19.63%	303086	29.28%	386511	30.74%	408100	30.58%
SBs	130799	15.38%	122660	11.85%	132314	10.52%	130768	9.80%
Other Banks	552609	64.99%	609208	58.86%	738545	58.74%	795470	59.62%
Grand Total	850,303	100.00%	1034954	100.00%	1257370	100.00%	1334338	100.00%

Source: Financial Inclusion Department, Bangladesh Bank

Table 6.12: Special Types of Account Services Offered by Banks in Bangladesh

S/N	Name of Product	Total No. of A/c Holders/ Beneficiaries			
		2014	2015	2016	2017
1	Beneficiaries under social safety net program	3384961	3920145	4252478	4627936
2	Farmers' 10 taka account	9726645	8933944	9043589	9222560
3	Freedom fighters	152528	192087	218593	201643
4	School banking account	850303	1034954	1257370	N/A
5	Small life insurance policyholders	27447	57424	98129	104539
6	Beneficiaries under 'employment for ultra-poor' project	N/A	2046302	2211917	2435573
7	'Ultra-poor beneficiaries' under food and livelihoods security project	N/A	65030	166585	62420
8	Beneficiaries of Dustho Punorbason program of the Ministry of Religious Affairs	N/A	1208	1214	1371
9	Cleaning staffs of Dhaka North and South City Corporation	N/A	9711	9721	9742
10	Readymade garment workers	N/A	279002	294245	284679
11	Workers of small footwear & leather product industries under LSBPC project	N/A	7035	4221	4240
12	Beneficiaries under national service program	N/A	17489	32246	37819
13	Physically disabled person	N/A	115941	143938	178053
14	Banking for working/street children	N/A	3018	3725	N/A
15	Others*	N/A	293836	278382	465008
	Total	**141,41,884**	**169,77,126**	**180,16,353**	**176,35,583**

*Hindu religious welfare trusts, Destitute people affected by cyclone Aila, an Employment program for the very poor, Rehabilitation program under Ministry of Religion, Cleaners of Dhaka North and South City Corporation, etc.

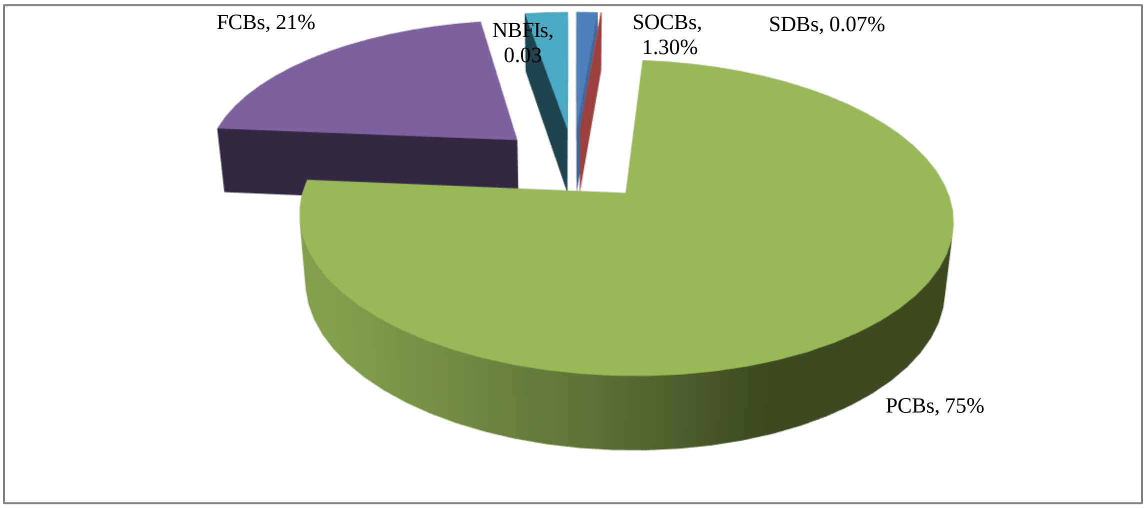
Source: Financial Inclusion Department, Bangladesh Bank

As part of financial inclusion, special types of accounts have been opened. It is found that the number of account holders or beneficiaries has been increasing over the period 2014-2017. However, due to the unavailability of data of Banking for street children and school banking, the total number of account holders in 2017 seems to be declining (Table-6.12).

6.4.3 Green Banking Initiatives for Sustainable Finance

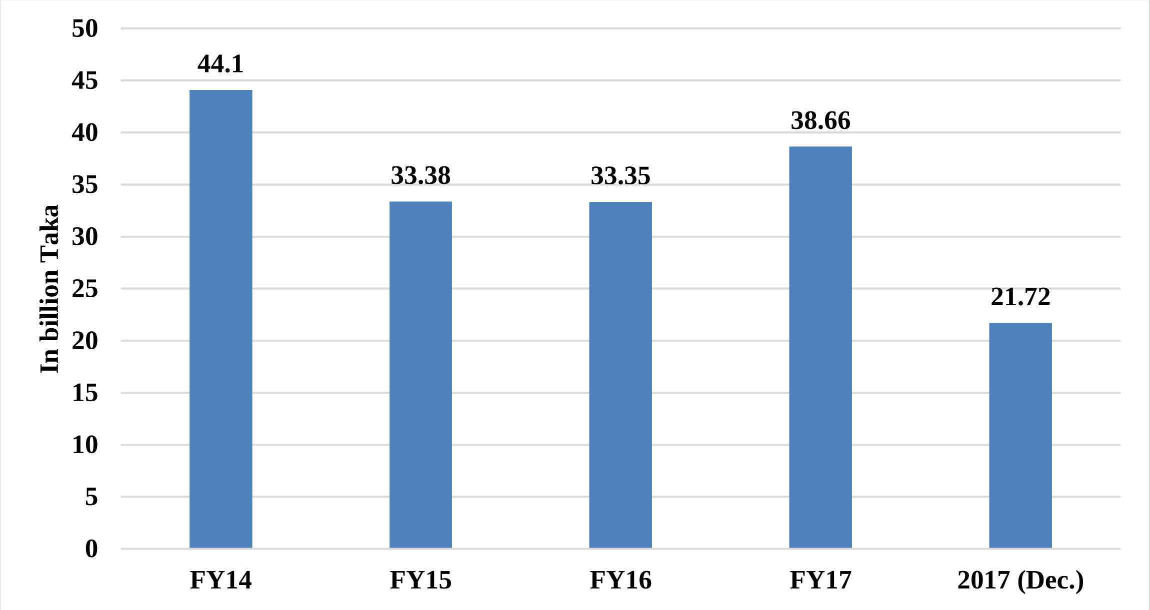
The banks and NBFIs have established or in the process of establishing 'Sustainable Finance Unit' through merging green banking unit and CSR Desk, and as required, all have their approved Green Banking Policy Guidelines. The green banking initiatives improve awareness and knowledge of bankers as well as of the customers regarding environmental risks and green financing. Basically, under green banking activities, financial institutions are engaging themselves positively in green financing. Almost all the financial institutions have some exposure to the environment- friendly financing. It is notable that the lion shares i.e., 75 percent of green finance, is facilitated by PCBs of the country (Figure-6.8). Financing to the green projects/ activities is mainly covering renewable energy, energy efficiency, fire burnt brick, solid and liquid waste management, recycling and recyclable products. The green financing activities are contributing to green agriculture, clean energy, and industrialization with green technology. However, three-fourths of the total clients of green financing is from the rural economy of Bangladesh. And most importantly, 65 percent of the total clients of green finance belong to the solar energy sector and 30 percent from other renewable energy sectors. The small amount of such credit is particularly suitable for even low-income groups living in remote rural Bangladesh (Habib *et al*, 2016). To promote green financing, for some commercial banks and NBFIs, refinancing facility is a great motivational factor. Of the total, 39 banks and 19 financial institutions so far have signed a participation agreement with Bangladesh Bank.

Figure 6.8: Total Green Finance by Bank Group till 2017



Source: Green Banking Quarterly Reports of BB

Figure 6.9: Green Finance and Environmental Issues (SDG 6, 7, 13, 14, 15)



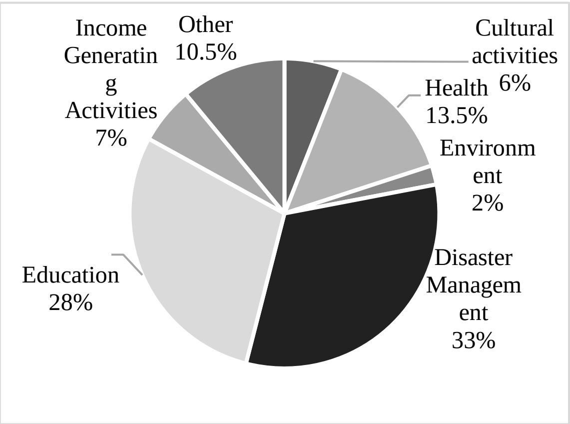
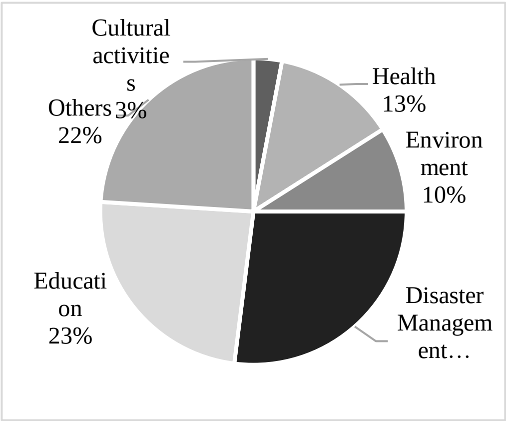
One of the important dimensions of SDGs is environmental issues. On that issue, Bangladesh Bank has already taken some policy initiatives aligned with various national plans, and guideline on Environmental & Social Risk Management (ESRM) for banks and financial institution in Bangladesh has been introduced. Refinance scheme for green financing banks and financial institutions have been circulated. Besides, various circulars regarding green banking activities have been given. Green financing activities are also on the increasing trend (Figure-6.9).

6.4.4 CSR Activities and Sustainable Development Goal

CSR interventions are contributing to ensure greater access to finance and other basic services and to improve the better livelihood of the low-income people, which are on the major path to achieve SDGs like poverty, women empowerment, education, good health etc. In the context of most developing countries, the association of agricultural financing and access to finance and rural development can be clearly visible. Micro and small enterprise financing (including women entrepreneurship financing) can contribute to rural development, gender equality, and poverty reduction.

In response to the BB's initiative, the CSR expenditure by banks has grown over the years. Banks continued to maintain major share in education, health and humanitarian & disaster relief. Expenditure on income-generating activities for poor, cultural affairs and environment were 7, 5.5 and 2 percent respectively. Disaster management receives most attention of banks in terms of expenditure by both banks and NBFIs (Figure-6.10).

Figure 6.10: Expenditure of CSR Funds by Banks and NBFIs in Different Sectors

CSR Expenditure in Different Sector by Banks (Dec' 2017)	CSR Expenditure in Different Sector by NBFIs (Dec' 2017)
	

Source: BB

However, Banks in Bangladesh are instructed to allocate 10 percent of CSR fund as climate risk fund. But market status shows, 27 percent banks in the industry allocated funds for climate risk fund above 30 percent of their CSR fund. But 55 percent banks allocated funds under 10 percent of their CSR fund. Main reasons for limited use of climate risk funds are knowledge gap on climate change projects, limited methodology to finance, and lack of innovative products. The fund is basically created to build the resilience to the effects of climate change.

Digital Financial Services (DFS)

DFS is significantly contributing towards achieving better financial inclusion. The increasing trend of using mobile financial services is shown in Table-6.3.

Table 6.13: Trends in Mobile Financial Services in Bangladesh

	2012	2013	2014	2015	2016	2017
No. of Approved Banks	10	27	28	28	19	18
No. of Banks Offering MFS	3	18	19	18	17	18
No. of Agents	51,078	188,647	540,984	561,189	710,026	777,179
No. of Customers (in Million)	3.0	13.2	25.2	31.8	41.1	58.6
No. of Active Customers (in Millions)	1.1	6.5	12.2	13.2	15.9	23.1
No. of Total Transaction (Millions)	29.19	228.85	589.48	1,166.05	1,473.24	1,876.00
Total Transaction Amount (in billion BDT)	71.23	517.83	1,031.55	1,772.76	2346.92	3,147

Source: Financial Stability Report, BB

Table 6.14: Agent Banking

	2015	2016	2017
Number of Agents	49	208	2334
Number of Customers	25186113	34303615	41047119
Amount (Tk in Crore)	46.48658	658.75	2831.76

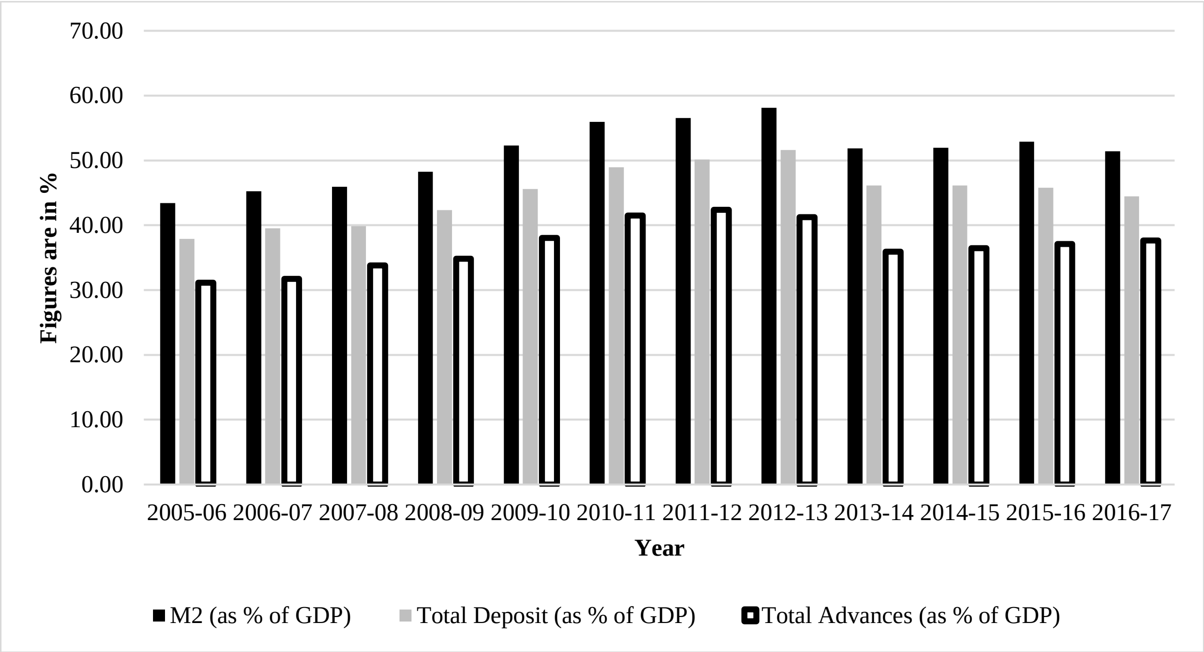
Source: Monthly Economic Trends, Bangladesh Bank.

Agent banking, one of the tools of financial inclusion and expansion of banking activities in the remote area is magnificently getting popularity and expanding at a faster pace (Table-6.14).

6.4.5 The Strength of the Banking Industry and the SDG

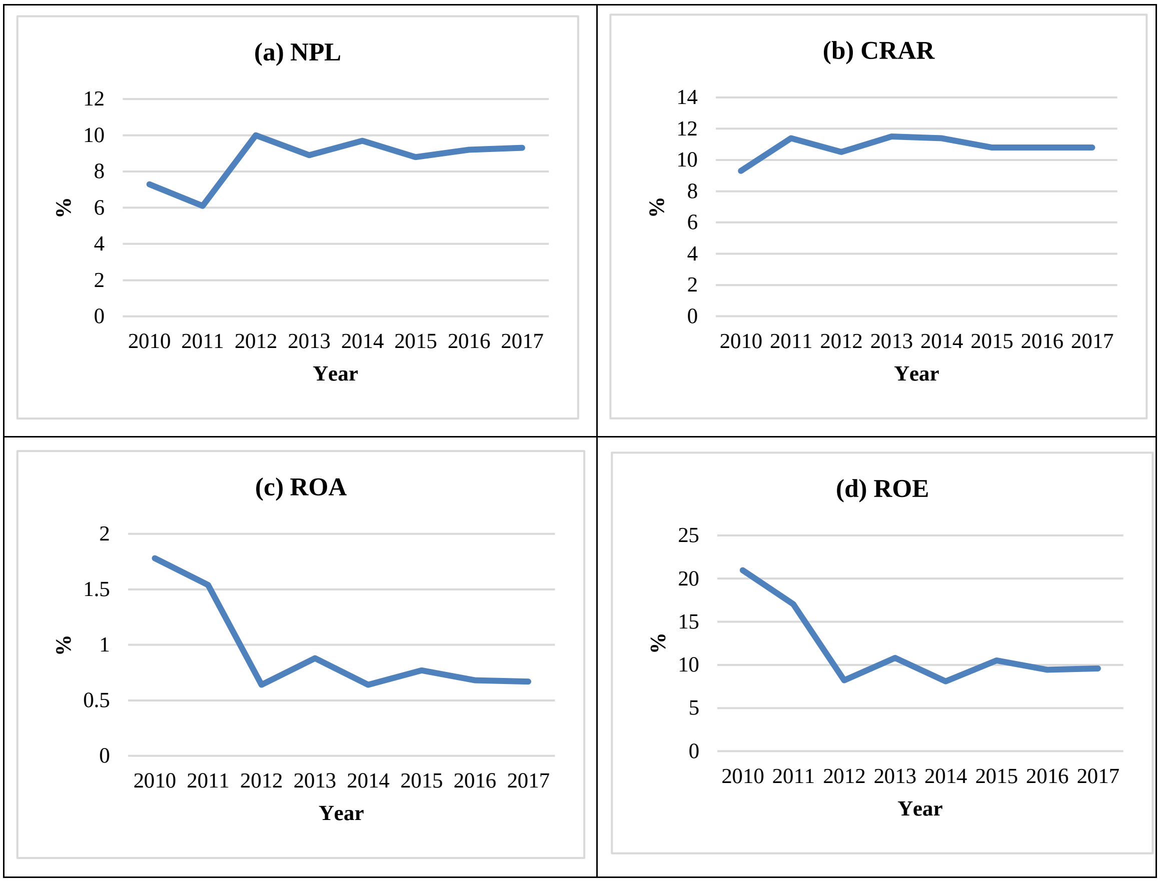
The strength and soundness of the banking industry are vital for achieving the sustainable development goals that are related to the financial sector. The banking sector of Bangladesh as measured by M2 to GDP, Credit-GDP and Deposit-GDP ratio experienced a reasonable smooth growth over the last few decades (Figure-6.11). Amidst this overall growth, however, always is there the presence of a few problem-ridden banks that we almost never could resolve in an ideal way. A close look at the SDG goals warrants relatively more pro-active role by the state-owned commercial banks (SOCBs) than the private commercial banks (PCBs). But, the financial health of the SOCBs generally remains at a level that raises concerns to the stakeholders. The role of State-Owned Banks in financial inclusion is enormous in the country, but it is also true that the Government so far injected almost 14,000 crore taka as capital to 7 state-owned banks (Source: BB). In recent times, even one private commercial bank was brought under the recapitalization program after facing huge loss to maintain confidence in the banking sector. Non-performing loan (NPL) has remained a big problem in our country for a long period of time with an approximate level of 10% (Figure-6.12). Profitability of the banking sector measured by Return on Asset and Return on Equity also has shown a downward trend in recent periods. Capital adequacy ratio, on an average, however, remained in line with the regulatory requirement.

Figure 6.11: Financial Sector Deepening in Bangladesh



Source: Bangladesh Bank

Figure 6.12: NPL, CAR, ROA and ROE of Banks in Bangladesh



Source: Bangladesh Bank

7. Conclusion

The global community as a continuation of MDG has moved on to a more comprehensive and broad-based global development agenda known as Sustainable Development Goals (SDGs) covering three pillars of development- economic, social, and environmental. The coverage of the SDGs is inclusive comprising a large set of targets and indicators. As such, the banking sector is only one stakeholder in determining the success of achieving SDGs in a timely manner. Most of the goals are interconnected, and thus failure of any one or more parties in the process may impair the performance of the others. The study reveals that the banking sector is linked to some of the sustainable development goals in significant ways especially those ones relating to inclusive growth, gender equality and sustainable development. As we are still in the initial phase of attaining SDGs it is necessary to monitor and evaluate SDGs related progress. Availability of a large set of reliable data at the right time, thus, will be very useful in determining the adequacy of the monitoring and evaluation process. Quality of institution matters much when it comes to achieving a pre-determined set of goals. We have experienced, in the recent past, the large-scale abuse of power by few key persons of the banks and resulting unbearable loss that severely deteriorated the financial conditions of some otherwise reputed banks. So, the quality of corporate governance so far remains a great deal of concern among the policymakers.

The goals under the SDGs framework are so varied and far-reaching that only having the right set of policies and passive compliance thereof will not produce the desired outcome. We have got remarkable success by bringing a large section of the marginal people under the deposit services within a short period of time through the provision of no-frill account. But, what is ultimately important is to go for next round of financial inclusion that is ensuring access to finance for all potential entrepreneurs irrespective of their current endowment of the asset. Regulatory-driven approach proved to be successful in increasing the number of accounts per thousand people but it will be difficult for the regulatory body to establish a reasonable level of access to finance unless there is an inbuilt self-driven mechanism inside the banks/ financial institution to take care of the numerous potential small-scale borrowers by developing suitable business models. Along with the provision of supply for the unserved and underserved people, financial literacy from the recipient sides also becomes crucial at one stage of financial development. So, for the sake of financial sector development and achieving SDGs, the level of financial literacy needs to be improved much further in a speedy manner.

So far we have discussed only the supply side of financing which is much needed for achieving SDGs. But only credit supply does not ensure achieving SDGs. To that end use of a credit must be monitored and overlapping of credit by various institutions must be stopped. Bangladesh Bank, as a regulatory authority, is on its way to assuming SDGs related role by mapping the targets with relevant departments in addition to formulating various regulation. We see the steady progress of the banking sector in almost all the areas relevant for SDGs. As Bangladesh Bank is given the responsibility to keep attention on some targets, autonomy of the central bank to the degree required to perform the responsibility will matter much for getting the expected result. On top of all, maintaining sound macroeconomic policy targeting high growth, employment, price stability & financial stability for a long period of time is a prerequisite for achieving SDGs within the target year 2030.

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