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Sustainable Banking for Sustainable Development Goals: The Case of Bangladesh

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ABSTRACT

This paper explores the role of sustainable banking in achieving the Sustainable Development Goals (SDGs) in Bangladesh, providing a conceptual framework and practical application. It begins by conceptualizing sustainable banking as an ethical response to traditional profit-driven models, emphasizing the need to integrate social and environmental considerations into financial operations. The study reviews current sustainable banking practices, highlighting challenges such as limited integration of sustainability into core business strategies. Through the lens of Bangladesh's banking sector, the paper identifies the direct relationship between banking operations and six SDGs (1, 2, 4, 5, 8, and 10), offering a business model that aligns banking activities with national development priorities. This model involves a structured, six-step logical framework approach to translate SDGs into strategic goals, with an emphasis on expanding, scaling, and enhancing the impact of sustainable banking. The proposed framework provides banks with actionable guidelines for maximizing their contribution to the real economy and the SDGs, fostering an innovative shift toward a sustainability-focused business paradigm.

INTRODUCTION

Sustainable banking has gained significant momentum as a discourse following the global financial crisis and the United Nations' 2015 declaration of the Sustainable Development Goals (SDGs). The funding gap in implementing the SDGs presents a new context for sustainable banking, demanding optimal sustainability impacts from banking operations. This situation necessitates that banks be managed, assessed, and compared objectively and transparently, guided by innovative policies. In Bangladesh, integrating the SDGs into the banking sector is both essential and challenging, as it involves balancing profitability with sustainability and aligning corporate objectives with societal needs. These challenges underscore the need for improved policies, processes, and procedures for sustainable banking within the context of the SDGs. Despite the numerous policies already implemented at the macro, industry, and market levels to promote sustainability within the banking sector, there has been little to no attention given to the micro and institutional levels, particularly in how individual banks can align their regular activities with the SDGs in a very objective, effective, and significant manner. This research aims to fill this gap by outlining sustainable banking plans and implementation and evaluation indicators to address the SDG funding gap in Bangladesh.

Conceptualization of Sustainable Banking

Sustainable development involves addressing intergenerational and intra-generational equity in resource utilization. Sustainable banking, as an intermediary, plays a key role in distributing resources more equitably by managing the flow of money across different dimensions, including space, terms, scale, and risks. This restructuring of resource allocation supports building a "resilient ecological-economic system" by serving the real economy (Jeucken, 2010; Derissen, Quaas, & Baumgartner, 2011).

Traditionally, banks have often prioritized profit, potentially at the expense of broader social and environmental goals. However, since the 1970s, a different movement—ethical, social, or sustainable banking—has emerged. This movement seeks to integrate ethics and non-financial considerations into financial decision-making.

Despite varied terminology, these approaches share a focus on reintroducing ethics and considerations of economic, social, and environmental impacts into banking. For the similarities with the theme of sustainable development, "sustainable banking” serves as an umbrella term for these trends.

The literature review indicates that the concept of sustainable banking lacks a precise, universally accepted definition and is still evolving. Some scholars have attempted to define it. Bouma et al. (2001) describe sustainable banking as providing products and services only to customers who consider the environmental and social impacts of their activities. Imeson and Sim (2013) view sustainable banking as a value-based process that benefits not just internal stakeholders like shareholders and executives but also external stakeholders, including customers and the broader society. This system aims to minimize negative societal and environmental impacts. The International Organization for Standardization (ISO) provides a framework in ISO 26000, which outlines seven principles of social responsibility, such as accountability, transparency, and ethical behavior. Rebai et al, (2014) used these principles to develop a sustainable banking performance evaluation model focusing on the 'multi-utility of stakeholders.'

In response to global financial crises and the growing need to finance the Sustainable Development Goals (SDGs), banks worldwide have started to pay more attention to the environmental and social effects of their activities. This shift has led to the development of sustainable banking products and services, also known as ethical banking (Altun Ada & Kılıç, 2014). Here, the aim is not solely profit but also social impact, reflecting the interconnected nature of economic activities and broader societal goals (San-Jose, et al. 2009). As banks invest depositors' money, they share responsibility for the resulting economic activities (Werner, 2014). Sustainable banking emphasizes transparency in the relationship between banks, depositors, and entrepreneurs, ensuring that funds are used sustainably (Cornée, Kalmi, & Szafarz, 2016).

However, transparency and communication alone are not enough; the direction and process of fund flows are also crucial. Sustainable banking aligns people, purpose, and money, adding meaning to financial transactions. It seeks to include marginalized groups in economic processes and ensure that economic growth is compatible with planetary limits. This approach values stakeholder relationships beyond profit-making (Stankeviciene & Nikonorova, 2014) and encourages value-based business ethics, which engage customers in project selection and future planning (Jagannathan et al., 2017).

Sustainable banking addresses the paradox between economic growth and value creation, recognizing that not all growth translates into value, especially when wealth transfer favors the rich over the poor (Stankeviciene & Nikonorova, 2014).). It focuses on the qualitative aspects of growth, which are often overlooked in traditional financial metrics. Practices like "triple bottom line" (Slaper & Hall, 2011), "shared value creation" (Porter & Kramer, 2011), "resilient banking system" (Malaysia, 2004), and "the business case for sustainability" (Schaltegger & Wagner, 2017) demonstrate how banks can create value while contributing to economic growth.

According to the Sustainable Banking Network (SBN) Paper G20 (2017), sustainable banking encompasses two main aspects: risk management and loan origination. Risk management includes considering environmental and social (E&S) risks in lending decisions to mitigate financial losses and reputational damage. Many banks now consider climate risk as a significant factor. In loan origination, sustainable banking prioritizes eco-friendly businesses, helping to mitigate the hazards associated with climate change.

Bruce Cohn (2006) describes the three characteristics of sustainable banking as safety (regulatory safety for both financial and real sectors), fairness/trustworthiness (treating customers like family and helping them enhance their quality of life), and impactfulness (improving regional quality of life and environment). These principles advocate for rethinking and redesigning banking processes to offer a safer lifestyle, society, economy, and planet for current and future generations.

Effective national strategies for sustainable banking require diverse approaches in different countries. However, common barriers include defining sustainable banking parameters, creating success indicators, integrating sustainable principles into core business models, developing drivers for sustainable practices, building information infrastructure, and enhancing the capacity of lawmakers and bankers (SBN, 2017).

The Sustainable Banking Network (2017) identified four key indicators for tracking green banking:

1. **Banking commitments:** Adoption and practice of green finance standards.
2. **Financial flows:** Investment in green projects.
3. **Financial risk:** The impact on financial assets after incorporating E&S factors.
4. **Environmental and social outcomes:** Overcoming negative E&S impacts and achieving positive outcomes in core financing activities.

Thus, sustainable banking can catalyze positive changes by leveraging human talents, skills, resources, and insights toward socially and environmentally desirable goals. It rewards all stakeholders and aims to create a more inclusive and greener economic system.

Current Sustainable Banking Approaches:

Financial capital is crucial for achieving sustainable development, with the financial sector playing a vital role by financing projects that drive sustainability transitions. However, despite its contributions to jobs, financial services, and liquidity, truly sustainable banking practices, products, and services remain niche in most conventional financial institutions. This gap is evident as banks struggle to fully integrate sustainability into their core business models.

Weber and Feltmate (2016) outlined four levels of sustainability integration in banking, which highlight the industry's gradual shift towards sustainability:

1. **Regulatory Compliance**:The first level involves banks adopting sustainability practices primarily to comply with regulatory requirements. While the number of banks that fail to go beyond regulatory compliance is decreasing, this approach remains prevalent. Banks are service-sector entities and are not directly impacted by environmental regulations like industrial sectors. As a result, many lack comprehensive strategies to manage sustainability risks beyond what is required by law.

   Recent studies confirm this trend, showing that while banks are increasingly adhering to sustainability-related regulations, such compliance is often reactive rather than proactive (Busch, Bauer, & Orlitzky, 2016). In countries like Bangladesh, for example, regulatory guidelines such as the *Bangladesh Bank's Green Banking Guidelines* (2011) have led to the introduction of some green products, but these remain limited in scope and impact (BIBM, 2020).

2. **Business Case for Sustainability**: The second level sees banks integrating sustainability into products and services only if they prove profitable. This includes environmental management systems, socially responsible investment (SRI) products, and environmental credit risk assessments. These initiatives tend to be driven by consumer demand and focus on reducing operational costs or reputational risks but constitute only a small portion of overall banking operations.

   Research by O’Neill, Ponciano, & Manetti (2022) reveals that while SRI products are growing in popularity, they still represent less than 5% of total bank portfolios. In developing countries like Bangladesh, green finance and SRI remain underdeveloped due to limited consumer awareness and demand. Most banks prioritize products that offer immediate financial returns over long-term sustainability goals (Morshed & Rahman, 2021).

3. **Corporate Social Responsibility (CSR)**: CSR represents the third level of sustainability integration, where banks engage with communities and stakeholders to address societal needs beyond mere compliance. CSR activities, while often positively correlated with financial performance (Gangi, Meles, & D’Angelo, 2021), are frequently disconnected from a bank’s core business. Most CSR programs are treated as peripheral activities and are not deeply integrated into business strategies.

   In Bangladesh, banks spend significant amounts on CSR, particularly in areas such as education, healthcare, and disaster relief, but these efforts are not directly linked to the achievement of the Sustainable Development Goals (SDGs) (Islam & Hossain, 2018). As such, CSR remains more of a reputational tool than a strategic element in promoting sustainability.

4. **Core Business Integration**: The fourth and highest level of sustainability integration occurs when banks make sustainability a core business principle. This is most evident in ethical banks, which promote the triple-bottom-line concept of people, planet, and profit. Members of the Global Alliance for Banking on Values (GABV) exemplify this approach, as they prioritize global sustainability solutions and actively seek to provide a positive alternative to the conventional financial system.

   Despite their pioneering efforts, ethical banks remain a small segment of the financial market. A study by Sahut, Mili, & Teulon (2021) shows that GABV member banks have seen significant growth in assets since the 2008 financial crisis, yet they still account for less than 1% of global banking assets. This reflects the broader challenge of scaling up sustainable banking practices in the mainstream financial system.

According to Weber and Feltmate (2016), the first three levels can be categorized under the business sustainability case, where sustainability is pursued if profitable. This approach does not integrate sustainability into core business strategies, leading to a mix of sustainable and unsustainable practices within banks. Green products and services remain niche, and the financial sector has not yet focused on making a significant positive impact on sustainable development.

This limited integration may explain why some banks involved in financial crises or scandals are still considered "sustainability leaders." Sustainability in the financial industry is often measured by direct impacts, such as energy use in office buildings or community effects, while the significant indirect impacts are overlooked. Socially Responsible Investment (SRI) products and green investments, although promoted in sustainability reports, usually comprise less than 2% of a bank's portfolio (Weber & Feltmate, 2016). For instance, Citigroup was ranked highly in clean energy investments but also financed controversial non-renewable energy projects.

There is ongoing debate about whether lenders and investors should be held responsible for the impacts caused by their borrowers or investees. Groups like the GABV and the Global Impact Investment Network (GIIN) argue that financial institutions should be accountable, as many unsustainable activities depend on financial capital.

Another issue is the increasing engagement of banks in investment banking, which often disconnects financial capital from the real economy. Asset-backed securities and financial derivatives have become major activities, sometimes even involving food as an object of speculation. This shift has reduced commercial loans, despite central banks offering near-zero interest rates.

A report by the Center for Responsible Business and Globe Scan suggests that the financial sector needs to embrace business initiatives that seek positive social as well as financial returns. This approach, known as the sustainability case for business, calls for banks to proactively build better relationships with regulators and other stakeholders.

Finally, the reputation of banks has suffered since the financial crisis, with issues related to trust, ethics, and customer service (Belás, 2013). Many banks have been bailed out with taxpayers' money, faced bankruptcy, or introduced high fees while increasing executive compensation. Most banks have not established strong reputations for sustainability, making it challenging to implement and communicate sustainable banking strategies effectively.

These insights highlight the need for a shift from the current business case paradigm to one more oriented toward sustainability. A sustainability case for banking could improve banks' reputations if they adopt clear sustainability performance goals, credible strategies, and effective sustainable operations, products, and services.

The Case of Bangladesh Banking Industry

Bangladesh's economy is an emerging market economy, ranking as the 39th largest in the world by nominal GDP and the 30th largest by purchasing power parity. It is part of the "Next Eleven" group of emerging market economies, with a notable real GDP growth rate of 7.3% in early 2019 (Riaz, 2016). However, the country faces significant environmental risks and widespread poverty, hindering sustainable development and affecting the banking sector's loan portfolios (Hoque et al., 2021).

Bangladesh's financial system is dominated by banks, which hold 96% of financial assets. The sector includes 60 scheduled commercial banks, consisting of state-owned, private, specialized, and foreign banks, as well as Islamic Sharia-based and conventional banks. Despite its dominance, the sector faces challenges related to transparency, corporate governance, and financial inclusion, particularly for vulnerable groups and rural areas. Nonetheless, Bangladeshi banks are increasingly pursuing socially responsible initiatives to enhance their positive impact on society and the economy (Adams & Frost, 2008).

Bangladesh Bank has taken steps to promote sustainability in the banking sector. The Environmental Risk Management (ERM) guidelines, introduced in 2011, initially focused on corporate social responsibility (CSR) activities, such as supporting schools, hospitals, and disaster relief. Since then, the focus has shifted towards integrating sustainability into daily banking operations. The adoption of the *Green Banking Policy Guidelines* in 2013 and the *Environmental and Social Risk Management (ESRM) & Excel-based Risk Rating Model* in 2017 further expanded sustainable banking by including social risks in credit management. These measures aim to align banking activities with the country's Sustainable Development Goals (SDGs) and have led to the establishment of sustainable finance units and committees within banks (Watts & Holme, 1999; Halabi & Samy, 2009).

Despite these efforts, many banks in Bangladesh are still in the early stages of recognizing green banking as a business strategy, with some driven by regulatory pressure rather than voluntary initiative (Masukujjaman & Akter, 2013; Ullah, 2013; Islam & Das, 2013). A baseline study by Bangladesh Bank in 2011 revealed a gap between banks' stated recognition of environmental risks and their actual credit scoring practices (Islam, Yousuf, Hossain, & Islam, 2014).

Bangladeshi banks are adopting various green banking practices, such as financing renewable energy projects, waste management, and green industries, as well as reducing their carbon footprint through digital banking initiatives (Islam, Hossain, Siddiqui, & Yousuf, 2014; Islam & Das, 2013; Lalon, 2015). Research has shown that incorporating sustainability in banking can benefit both lenders and borrowers, leading to better financial performance and reduced risks (Weber, Hoque, & Islam, 2015; Hossain & Kalince, 2014).

However, challenges remain, such as inadequate budget allocations for green initiatives and limited sustainability reporting by banks. Studies have shown that many banks do not disclose detailed sustainability information, with few adhering to the Global Reporting Initiative (GRI) guidelines (Khan et al., 2011; Sobhani, Amran, & Zainuddin, 2012).

Potential Risks and Uncertainties in Sustainable Banking in Bangladesh

a. **Regulatory and Policy Risks**: While Bangladesh Bank has introduced guidelines for green and sustainable banking, the enforcement and consistency of these regulations can vary. Inconsistent policies can lead to confusion among banks and potential non-compliance. Furthermore, changes in government policies or a lack of long-term commitment to sustainable finance may create uncertainties.

b. **Limited Financial and Technical Capacity**: Many banks in Bangladesh may lack the financial resources or technical expertise to implement comprehensive green finance programs. This includes the ability to assess environmental and social risks in lending and investments, as well as to develop innovative green products and services.

c. **Market Demand and Consumer Awareness**: The demand for green finance products remains relatively low in Bangladesh due to limited consumer awareness of sustainability issues. This can hinder banks' ability to scale up their sustainable banking portfolios and make it difficult to attract sufficient investment into sustainable sectors.

d. **Reputational Risks**: As banks increasingly promote their sustainability initiatives, they are exposed to reputational risks if they fail to meet the expectations of stakeholders. For example, financing projects that are later found to have negative environmental or social impacts could damage the bank's credibility and reputation.

e. **Climate and Environmental Risks**: Bangladesh is one of the most climate-vulnerable countries in the world, facing frequent flooding, cyclones, and rising sea levels. These environmental risks could impact the assets of borrowers and lead to defaults on loans, particularly in sectors like agriculture, which is highly dependent on environmental stability.

f. **Credit and Investment Risks**: Banks may face credit risks if borrowers involved in sustainable projects fail to generate expected returns. For instance, renewable energy projects or eco-friendly industrial ventures may take longer to become profitable, creating uncertainty about the bank’s financial returns on such investments.

Strategies to Manage Risks Effectively

a. **Strengthening Regulatory Frameworks**: There is a need for consistent and transparent regulatory guidelines to encourage the adoption of green banking. Banks should work closely with regulators to ensure policies align with global sustainability standards, and the government should provide incentives for banks to enhance their green portfolios.

b. **Capacity Building**: Banks should invest in training and capacity-building initiatives for their staff to effectively manage environmental and social risks. This includes developing technical expertise in ESG (Environmental, Social, and Governance) integration and risk assessment.

c. **Enhancing Public Awareness**: To generate demand for sustainable banking products, public awareness campaigns on the benefits of green finance and environmental responsibility are essential. Banks can collaborate with civil society organizations and educational institutions to educate consumers and businesses about sustainability.

d. **Diversifying Financial Products**: Banks should develop a wider range of green financial products tailored to different sectors and customer needs. This could include green bonds, renewable energy loans, eco-friendly mortgages, and financing for small and medium-sized enterprises (SMEs) in sustainable industries.

e. **Integrating Sustainability into Risk Management**: Banks need to incorporate climate and environmental risks into their overall risk management frameworks. By including climate scenarios in their credit risk assessments and loan portfolios, they can better anticipate potential impacts on their financial performance.

f. **Improving Sustainability Reporting**: Transparent reporting on sustainability performance is critical for building trust among stakeholders. Banks should adopt international reporting standards, such as the Global Reporting Initiative (GRI) or the Task Force on Climate-related Financial Disclosures (TCFD), to provide clear and consistent information on their sustainability efforts.

g. **Engaging with Global Sustainability Networks**: To stay updated on best practices, Bangladeshi banks should engage with international networks such as the Global Alliance for Banking on Values (GABV) or the United Nations Environment Programme Finance Initiative (UNEP FI). These platforms provide access to resources, case studies, and collaborative opportunities for advancing sustainable banking.

New Context for Sustainable Banking Discourse

SDGs and Sustainable Banking:

In September 2015, all 193 members of the United Nations General Assembly endorsed the Sustainable Development Goals (SDGs), which include 17 goals and 169 targets, set to be achieved by 2030. These goals aim to carry forward the unfinished agenda of the Millennium Development Goals (MDGs) that were targeted for completion by 2015. The SDGs encompass a comprehensive plan of action for 'people, planet, and prosperity,' emphasizing the triple bottom line of Sustainable Development. A significant obstacle to achieving these development goals is the need to establish robust financial structures. The United Nations Conference on Trade and Development (UNCTAD) reported in 2016 that an annual financing of USD 5 to 7 trillion, on average, is required globally from 2015 to 2030 to successfully finance the SDGs.

Economically, the primary role of the banking sector is to collect deposits and extend loans. The policies and practices banks employ in this intermediary role significantly impact sustainability within an economy, influencing resource allocation across various sectors, actors, and activities. Despite diverse scales, scopes, and focuses, the essence of sustainable banking involves adopting different policies, practices, and behaviors in interactions with internal and external stakeholders, thereby facilitating sustainable development within the economy.

Given the scarcity of official development funds, there is an argument that, since a substantial portion of capital in many emerging markets originates from the banking sector, stimulating sustainable banking practices may be essential for mobilizing private funds to achieve the SDGs. The funding gap for these development goals and the potential role of banks in bridging this gap create a new context for sustainable banking practice, procedure, and measurement.

Challenges Ahead in Addressing the New Context:

While the financial services industry can play a crucial role in advancing towards a sustainable future, it faces underlying complexities and tensions. Public and private resources have different investment objectives and should not be viewed as substitutes. Numerous studies indicate that sustainability practices positively impact corporate social and environmental performance (Dell'Atti, Trotta, Iannuzzi, Demaria, 2017) and the financial performance of banks (Wu and Shen, 2013; Gangi et al., 2019; Esteban, Gonzalez, Gazquez, 2017), as well as the affective and behavioral responses of customers (Fatma, Rahman, 2016; Pérez, Bosque, 2015). However, there are areas within banking operations where profit motives conflict with the interests of people and the planet, which are core elements of sustainability.

Even though the banking industry is recognized for its significant role in promoting a sustainable economy through its influence on capital flow, most private capital remains driven by non-sustainable profit motives (Jones et al., 2017). This scenario can be depicted using a four-quadrant graph, illustrating areas where sustainability logic and profitability logic either complement or contradict each other. The unaddressed areas where these logics conflict represent a significant challenge in moving towards sustainable banking practices. Some major challenges in aligning banking operations with sustainability include:

Dynamics between Adaption and Adoption

Banks are often caught between creating new sustainability strategies and adopting existing ones. In Bangladesh, financial institutions like Islami Bank Bangladesh Limited (IBBL) and Dutch-Bangla Bank have incorporated elements of sustainability, but inconsistencies remain, especially concerning the alignment with the SDGs. This issue stems from the lack of clear regulatory guidance and capacity constraints in local financial institutions.

Determining Appropriate SDGs

Financial institutions, globally and in Bangladesh, struggle to prioritize among the 17 SDGs and 169 targets. Most banks tend to favor SDGs that align with short-term business benefits, such as SDG 8 (Decent Work and Economic Growth) and SDG 9 (Industry, Innovation, and Infrastructure), which often leave critical areas like SDG 13 (Climate Action) underfunded.

Identification of Indicators and Measurement

Effective implementation of SDGs requires robust data and indicators. In Bangladesh, a lack of reliable sustainability data hampers the measurement of SDG impacts. For example, while major banks report CSR activities, few link these directly to specific SDG targets, limiting their impact. Aligning sustainability metrics

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with global standards such as the Global Reporting Initiative (GRI) involves significant investments in data infrastructure and human capital.

Policy Innovation and Diversification

There is a need for market-based and non-market-based policies that guide private capital towards sustainability objectives. For example, Bangladesh Bank has introduced policies promoting green banking, including guidelines for environmental risk management (Bangladesh Bank, 2011), but these policies have had limited success in altering corporate behaviors. Policymakers need to explore further innovations, such as tax incentives or sustainability-linked loans, to steer the financial sector toward achieving the SDGs.

The financial services industry can play a pivotal role in advancing toward a sustainable future, but it faces complex underlying tensions. Public and private resources often have different investment objectives and should not be viewed as substitutes. Studies demonstrate that sustainability practices positively affect corporate social and environmental performance (Dell'Atti et al., 2017) and the financial performance of banks (Wu & Shen, 2013; Gangi et al., 2019; Esteban et al., 2017), as well as the affective and behavioral responses of customers (Fatma & Rahman, 2016; Pérez & Bosque, 2015). However, many areas within banking operations still experience conflicts between profit motives and sustainability principles, which are central to addressing SDGs.

The New Context Demands a New Business Model with a Special Focus on Impacts:

The scale of investment required to achieve the SDGs, especially in developing countries and infrastructure, is substantial. If the funding gap remains unresolved, it will likely increase over time. This underscores the need for a business model that aligns financial flows with the SDGs while mitigating associated risks and costs. Olaf Weber and Blair Feltmate's 2016 book, *Sustainable Banking: Managing the Social and Environmental Impact of Financial Institutions*, categorizes sustainable banking into two models. The first is the "business case for sustainability," where sustainable policies are adopted only when they benefit the business by minimizing risk or enhancing reputation. This model currently dominates the market. The second is the "sustainability case for banking," embraced by social or ethical banks that prioritize sustainable development as their core mission rather than as a means to boost reputation. This model has greater potential to enhance sustainable development and finance the SDGs on a larger scale.

However, most current practices and research in sustainable banking focus on the business case for sustainability, limiting the financial industry's potential to contribute to sustainability. Weber and Feltmate (2016) attribute this dominance to three factors: 1) CSR and SRI are often seen as primary sustainable practices but are not core products or services; 2) sustainability is usually measured based on a bank's direct impacts; and 3) an inside-out approach is typically used, where sustainability efforts are limited to making existing business activities more sustainable, rather than addressing broader sustainability challenges.

As a result, sustainable practices remain niche within conventional banking and have not become mainstream or integral to business activities. Existing indicators support a mindset that prioritizes the business case over the sustainability case. To truly align the financial sector with SDG implementation, there is an urgent need to shift the sustainable banking discourse toward the sustainability case for business, focusing on three key areas:

1. **Widening the Scope of Sustainable Practices**: Banks in Bangladesh need to expand their scope beyond CSR to core banking activities, such as responsible lending and investment in green sectors. For instance, Agrani Bank has piloted green lending initiatives, but these need to be scaled up across the sector to drive meaningful sustainability impacts.

2. **Scaling Up Sustainable Banking Impacts**: To meet the SDG financing gap in Bangladesh, it is critical to increase the scale of sustainable finance. A report by the Bangladesh Institute of Bank Management (BIBM) in 2020 highlighted that only 5% of total banking loans in Bangladesh are directed toward green projects, indicating the need for more significant efforts to finance sustainable initiatives (BIBM, 2020).

3. **Enhancing the Effectiveness of Sustainable Banking**: Improving the outcomes of sustainable banking

initiatives.

This shift requires focusing on three aspects of a bank's sustainability impact on the real economy:

a. **Core Banking as the Source of Impact**: The Bank can create sustainability impacts to the economy through its core or peripheral business activities. In generating significant sustainability impacts banks should focus on their core business activities, such as financial intermediation, resource allocation, and risk management. By applying negative and positive criteria in decision-making (e.g., excluding unsustainable sectors and promoting renewable energy), banks can directly influence the sustainability of the economy. Core activities, therefore, offer greater potential for contributing to sustainable development than peripheral activities like CSR and charitable donations.

b. **Indirect Impact as the Process of Impact**: As a service industry, banks create sustainability impacts both directly and indirectly. Direct impacts, such as energy use and business travel, are relatively small compared to those of industrial sectors. Indirect impacts, however, are much more significant and occur through the banks' clients. By choosing which businesses and projects to finance, banks can indirectly influence sustainability outcomes. Therefore, indirect impacts, particularly through financed clients, are crucial for promoting sustainable development and financing the SDGs.

c. **Real Economy's Need as the Direction of Impact**: A bank's sustainability efforts can follow two approaches: inside-out, where existing business activities are made more sustainable, or outside-in, where sustainability challenges drive the business strategy. The outside-in approach is more effective in addressing the real economy's sustainability needs and aligning with global goals like the SDGs. By adopting this approach, banks can maximize the impact of their sustainability efforts on the economy.

In a nutshell, the new context of financing the SDGs demands a sustainable banking model that prioritizes sustainability principles, contributing to SDG implementation, emphasizing on indirect impact through customers, integrating sustainability integration into core banking activities, indirect impact through customers. This model should guide strategy, target setting, and progress monitoring to ensure that banks contribute meaningfully to sustainable development goals.

The Proposed Business Model Within the Logical Framework:

Based on the above discussion, to effectively support the SDGs, we aim to develop a sustainable banking model that integrates sustainability into the core activities of banks, focusing on indirect impacts through their customers and addressing the sustainability needs of the real economy, particularly in implementing the SDGs. This model will be shaped into an integrated logic model framework, a program design methodology introduced in the 1970s. This approach allows us to map out the logical sequence from activities to the changes it seeks to influence.

The term "logic" has various definitions. In philosophy, it is a branch of study in which scholars dedicate entire careers. Mathematicians use it as a structured method of reasoning for proofs. In the world of machines, logic is the only language understood by computers. However, another meaning, more closely related to community change, is the logic of how things work. A logic model, like a roadmap, shows the steps taken to reach a specific destination. A detailed model indicates precisely how each activity will lead to the desired changes, while a broader plan outlines the chosen routes and the distance to be covered.

At its core, a logic model presents a picture of how an effort or initiative is supposed to work. It uses words and/or pictures to describe the sequence of activities expected to bring about change and how these activities are linked to the results the program aims to achieve. In this sense, logic refers to "the changing relationship between elements and between an element and the whole" (EIO, 2011).

In the context of our proposed sustainable banking model, the logic is based on optimizing the bank's contribution to sustainable development in Bangladesh by assisting in the implementation of the SDGs, stimulating the bank's indirect impact on the real economy through customer engagement, and integrating sustainability into core banking activities.

The model involves a six-step process that shows the relationships between the intended changes within the results chain—such as goals, impacts, and outcomes—and the required changes in inputs, activities, and outputs. The following Table 1 explains these components of the framework within the context of the proposed sustainable banking model.

Table 1: The proposed Business model as a Logical framework.

Components of the log frame	Definition	The proposed sustainable banking model is translated into the log frame.	Impact optimizing intervention points
Goal	The goal component is the overall objective is the higher-order objective that the program will contribute to. The program will partially achieve this overall objective (WK Kellogg Foundation, 2004).	**Contribution to the relevant SDG:** Contributing to the relevant SDG by achieving specific targets through implementing SDG themes relevant to the bank.	The impact-utility will be optimized by addressing current real sustainability challenges.
Impact	The impact component is the central, specific objective(s) of the program in terms of sustainable benefits to be delivered to organizations, systems, or communities. It may describe how the world will change as a result of producing the program's results (WK Kellogg Foundation, 2004).	**Desired macroeconomic sustainability goal:** Achieving macroeconomic sustainability goals by realizing SDG impact themes that relate to the economy, society, or environment.	Impact direction will be streamlined to align the economy toward targeted sustainability Goals
Outcome	Outcomes are the Specific changes in program participants' behavior, knowledge, skills, status, and level of functioning (WK Kellogg Foundation, 2004).	**Desired interactions among the macroeconomic agents:** Transforming conditions, behaviors, transactions, and interactions among macroeconomic agents in a way that supports the sustainability goals derived from specific SDG themes.	Impact effectiveness will be optimized by mobilizing macroeconomic agents toward sustainability goals.
Output	Outputs are the direct products of program activities, including types, levels, and targets of services to be delivered by the program (WK Kellogg Foundation, 2004).	**Consistent sustainable banking impact on the real economy:** Establishing consistent sustainable banking impacts on the real economy by guiding financial flows to create conditions needed to achieve the economy's sustainability goals derived from the SDGs.	The impact process will be optimized through a concrete transmission path.
Activities	Activities are the Processes, tools, events, technology, and actions that are part of the program implementation. These interventions are used to bring about intended changes	**Strategic customer engagement for wider impact:** Designing strategic customer engagement to optimize indirect impact through financial flows	Impact-scale will be optimized by mobilizing customers'

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	or results (WK Kellogg Foundation, 2004).	between the bank and macroeconomic agents, moving the real economy towards sustainability.	sustainability roles in the real economy.
Input	Human, financial, organizational, and community resources directed toward the program's work (WK Kellogg Foundation, 2004).	**Strategic capital management for wider source of impact and innovations:** Strategic capital management focused on financial, social, and intellectual capital to integrate sustainability into core banking activities and maximize the bank's potential contribution to sustainable development.	The impact source will be optimized by mainstreaming sustainability in banking operations.

Application Framework of the Proposed Business Model:

In developing the proposed business model for specific SDGs, we need to develop an application framework. Here we will follow some guiding questions throughout different components of the logical framework. Responding to these questions will ultimately give a suitable application framework for the bank to adopt the proposed model to address the context of the SDG funding gap. Taylor Powell and Renner (2003) emphasized the importance of asking questions during the planning and implementation process. They highlighted the role of questioning to explore assumptions, clarify objectives, and identify potential barriers or challenges (Renner & Taylor, 2003). The application framework for the proposed impact optimizing sustainable banking business model is based on the overarching concern about how a bank can contribute objectively, effectively, and significantly to ensure sustainable development in the real economy through implementing the SDGs. This application framework consists of three parts. The first part deals with selecting the bank's relevant SDGs and workable themes. The second part focuses on translating the SDGs into the bank's strategic goals. Lastly, the third part deals with aligning the bank's operations with those strategic goals. The relevant questions and corresponding planning steps are outlined in the following table 2.

Table 2: The Relevant Questions and Planning Steps.

Planning Framework	Assumptions related to different components of the logical framework.	Question No	Questions	Planning Steps
First Part	**Assumptions related to The Goal:** Bank-relevant SDGs and workable themes are rightly identified.	Q. 1	Which SDGs are relevant for banks?	To identify the bank's relevant SDGs.
		Q. 2	Which themes are relevant for a bank from a particular relevant SDG?	To identify the bank-relevant theme from the particular SDG.
Second Part	**Assumption related to The Impact:** The workable themes are rightly translated as macroeconomic sustainability goals.	Q. 3	What are the workable themes translated at the level of macroeconomic goals from a particular SDG?	To customize the relevant theme into a workable/ targetable macroeconomic sustainability goal
	Assumption related to The Outcome: The impact relevant role of the relevant macroeconomic agents in the	Q. 4	What type of role is to be played by which macroeconomic agent to realize the	To identify the relevant macroeconomic agent

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	relevant market is identified and motivated for realizing the desired macroeconomic sustainability goals.		macroeconomic sustainability goal?	and their required role/condition.
	Assumption related to The Output: The impact relevant function of the bank on the real economy is identified and realized to motivate the relevant macroeconomic agents.	Q. 5	What type of bank's function is needed to stimulate the required role among the required macroeconomic agents to realize the macroeconomic sustainability goals?	To identify the relevant type of functions from the bank to stimulate the required condition among the relevant macroeconomic agent.
Third Part	**Assumption related to The Activities:** 1. The impact of relevant macroeconomic agents and their link with the bank are identified. 2. They are brought into the bank's customer network 3. They are properly dealt with and transformed to play the right role in the economy required for the impact	Q. 6	What type of intervention is needed during the dealings with customers to motivate the desired role of the targeted macroeconomic agents?	To identify the relevant type of engagement with the relevant customers to stimulate the condition of a macroeconomic agent towards the relevant direction.
	Assumptions related to Input: 1. Bank identified the impact of relevant capital management. **2.** The bank managed its relevant regular services for impact.	Q. 7	What type of change is needed in the bank's capital management?	To identify the relevant type of capital management to mobilize the bank's function in the relevant direction.

The rationale for each step and required methodologies are outlined across the six components of the basic logic model, as presented in Table 3.

Table 3: Planning Template in the Logical Framework.

Components of the Logic Model	**Description of the steps**	**Impact optimizing rationality of the step**	**Methodologies (derived from the top-down vertical logic)**	**Step No**
Goal	**Overall program goal:** To identify the bank's relevant SDGs.	Impact utility will be optimized by addressing the current	The guidelines and priorities suggested by the concerned reputed organizations will be followed.	**1st step**

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		sustainability challenges.		
	The goal for a particular SDG: To identify the bank-relevant theme from the particular SDG.	Impact scope will be optimized by pinpointing the target to relevant sustainability issues and corresponding stakeholders.	Sustainability themes underlying the selected SDG and key stakeholders to be targeted in achieving those themes will be identified through a content analysis tool. The bank-relevant themes and stakeholders will be selected from different SDG targets and indicators based on whether the realization of the sustainability theme by the corresponding key stakeholders can be linked with the bank's functions in the real economy. The link can be established through three factors: access, productivity/efficiency, and quality.	**2nd step**
Impact	To customize the relevant theme into a workable macro-economic sustainability goal	Impact direction will be rightly streamlined to align the economy towards sustainability.	The selected sustainability themes will be translated into macroeconomic sustainability goals based on which of the seven macroeconomic goals can be conceptually mapped with it.	**3rd step**
Outcome	To identify the relevant macroeconomic agent and their required role/condition	Impact effectiveness will be optimized by mobilizing the role of macroeconomic agents towards sustainability direction.	The selected key stakeholders in achieving the selected sustainability theme will be translated into the macroeconomic sustainability agents based on which of the four macroeconomic agents is relevant to achieving the translated macroeconomic sustainability goals.	**4th step**
Output	To identify the relevant type of functions from the bank to stimulate the required condition among the relevant macroeconomic agent.	The impact process will be optimized through a concretely established transmission path.	The selected sustainability themes and the key stakeholders will be translated into the banking context based on which of the five functions of banks in the real economy are relevant to stimulate the relevant role of relevant agents to realize the desired macroeconomic sustainability goals.	**5th step**
Activity	To identify the relevant type of engagement with the relevant customers to stimulate the condition of a	The impact scale will be optimized by mobilizing customers' sustainability role in the real economy.	The bank's activity will be aligned to the desired sustainability functions in the real economy through customer screening based on relevant one of the financial flows with the relevant macroeconomic agents in the real economy. The customer interaction will	**6th step**

	macroeconomic agent towards the relevant direction.		be conducted based on different organizational identity orientations to realize the macroeconomic sustainability goals.	
Input	To identify the relevant type of financial capital management to mobilize the bank's function to the relevant direction and mobilize the social and intellectual capital towards this purpose.	Impact source is optimized by making sustainability efforts mainstream in banking operations.	The bank's resource management will be aligned towards the desired sustainability functions in the real economy through the management of financial capital throughout the relevant customers aiming to enable them to stimulate the required roles, behaviors, and conditions among the relevant macroeconomic agents in realizing the intended macroeconomic sustainability goals. To ensure this alignment, the bank's knowledge and network will be mobilized.	**7th step**

Application of the Model in the Case of Bangladesh:

Though bank serves the same financial intermediation worldwide and all countries are in preparation to adopt sustainability into their economic and financial policies, this study focused on the Banking Industry of Bangladesh. Because, due to the mounting population pressure over scarce natural resources, Bangladesh is facing a huge problem as a less developed country (LDC). The country's geographical location also contributes to the susceptibility to natural disasters.Numerous efforts have been reflected in Bangladesh's national policies and plansto achieve sustainable development. Hence, the banking industry of Bangladesh may be a good example case for the application of the model. Here, we need to work with those SDGs that are relevant to the Bangladesh banking industry.

A research monograph titled "Achieving SDGs in Bangladesh: The Role of the Banking Sector" published by the Bangladesh Institute of Bank Management in 2021, identified that six out of 17 SDGs are directly related to the activities of the banking sector in Bangladesh. These specific SDGS are 1, 2, 4, 5,8 and 10.

Table 4: Selected SDGs Relevant for Banking Industry.

No	SDGs	Commitment
1	**SDG 1:** End Poverty	End poverty in all its forms everywhere
2	**SDG 2:** Zero (No) Hunger	End hunger, achieve food security improve nutrition, and promote sustainable agriculture
3	**SDG 4:** Quality Education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
4	**SDG 5:** Gender Equality	Achieve gender equality and empower all women and girls
5	**SDG 8:** Decent work and Economic growth	Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all
6	**SDG 10:** Reduced inequality	Reduce income inequality within and among countries.

Business Model Plans for the Above Sdgs

Here, we will proceed with the above SDGs one by one sequentially. For each SDG we will try to prepare a sustainable business plan which is composed of three parts. The first part deals with the issue; of how to select the bank-relevant and nationally relevant SDGs and workable themes. The second part deals with how to translate the SDGs into a bank's strategic sustainability objectives. The third part deals with how to align the bank's operation to those strategic objectives. The strategic sustainability objectives can be linked with the 'goal', 'impact', 'outcome', and the 'output' component of the logical framework whereas the bank's alignment towards those strategic objectives can be linked with the 'activity' and 'input' of that framework. Hence, for each SDG, we will try to do two things.

Selection of Workable Themes:

We will begin by identifying nationally relevant themes for each specific SDG, drawing insights from the Bangladesh government's plan and initiatives related to SDG targets and indicators. Since the very inception of SDGs, the Planning Commission of Bangladesh tried to integrate the relevant SDGs into its 7th five years adopted in 2015 (PCB, 2015). Moreover, in order to track Bangladesh's progress towards the attainment of nationally prioritized targets (NPT) from SDGs, a web-based information repository is created on a website called SDG Tracker (https://sdg.gov.bd/#1). Based on these two documents (7th 5 years plan and SDG Tracker) we can find out the nationally relevant theme for a particular SDG by analyzing its targets and indicators as outlined in the document titled "Global Indicator Framework for the Sustainable Development Goals and Targets of the 2030 Agenda for Sustainable Development" (UNDP, 2015). Then we will determine the bank's relevant workable theme by employing the 'concept mapping' tool in the analysis between the themes of the nationally relevant SDGs and the bank's functioning in the real economy. We have discussed in Chapter Four how a bank's five functions (financial intermediation, resource allocation, maturity transformation, payment system, and risk management) influence the macroeconomic goals by influencing the macroeconomic agents. Here, a particular SDG will be decomposed into targeted themes and targeted people/places to map the concept with the bank's functioning to the real economy and literary supports for the links between the particular SDG theme and banking (bank's activities, operation, values and its functions to the real economy) will be provided to validate the analysis. Thus the workable SDG theme will be identified as the first part of the business model plan in the areas where banks can make a meaningful impact.

Development of Logical Framework:

For the selected theme, we will construct a logical framework as the second and third parts of the business model plan. We will provide ample literary support and establish best practices to underpin this framework, ensuring it aligns with the specific SDG and reflects the banking sector's strategic sustainability objectives.

Now, we will proceed to systematically work through each of the above 6 SDGs, following the above two steps. We will select national and banking-relevant themes, then develop a logical framework to apply the proposed impact- optimizing sustainable banking model for each relevant SDG.

SDG 1: End Poverty in All Forms Everywhere

Selecting Workable Themes from SDG 1

SDG 1 aims to eradicate poverty in all its forms by 2030, with seven targets and 12 indicators. For Bangladesh's banking sector, relevant targets are selected to formulate impactful strategies.

Summary of SDG 1 and Bangladesh's National Targets

Bangladesh has incorporated SDG 1 into its 7th Five-Year Plan and National Priority Targets (NPT), aligning these with the country's poverty reduction goals. The key targets for SDG 1 relevant to Bangladesh include:

1. **Eradicating Extreme Poverty:** Reducing extreme poverty to below 3%.

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2. **Reducing National Poverty:** Lowering the head-count poverty ratio to 10% by 2030.
3. **Protection for Vulnerable Populations:** Increasing social protection spending to 2.3% of GDP.
4. **Access to Economic Resources:** Ensuring rights to economic resources and services for poor households.
5. **Pro-Poor Policies:** Funding lagging regions and supporting pro-poor development strategies.

Selecting Nationally Relevant Targets

From the 7th Five-Year Plan and NPTs, the following four SDG 1 targets are critical for Bangladesh:

1. **Eradicate Extreme Poverty:** Focused on the proportion below the international poverty line.
2. **Reduce National Poverty:** Targeting the proportion below the national poverty line.
3. **Access to Economic Resources:** Ensuring access to basic services for poor households.
4. **Pro-Poor Policy Frameworks:** Enhancing pro-poor public social spending.

Bank-Relevant Themes for SDG 1

To identify relevant themes for banks, we connect the SDG 1 targets with the role of banks in financial intermediation and poverty alleviation:

1. **Reducing Poverty:** Banks can play a role in poverty reduction through financial intermediation that supports employment and income generation for poor households.
2. **Funding for Low-Income Regions:** Banks can allocate funds to support regional development in lower-income areas.
3. **Equal Access to Financial Services:** Enhancing access to microfinance and banking services for poor households is crucial.

Literary Support for Bank Relevance

Research highlights the importance of financial development in reducing poverty. Studies by Stiglitz (1998) and Beck et al. (2009) demonstrate that formal financial services can uplift the poor by facilitating access to credit and savings, which in turn promotes microenterprise formation, employment, and income. Furthermore, financial development can drive pro-poor growth, as discussed by Burgess and Pande (2005).

Workable Themes Under SDG 1

The relevant banking themes from SDG 1 are:

1. Reducing poverty through financial intermediation and resource allocation.
2. Facilitating access to financial services for poor households.
3. Enhancing regional financial support for low-income areas.

Sustainable Banking Plan for SDG 1

To address SDG 1, banks can adopt a sustainable business plan aligned with poverty alleviation goals:

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1. **Goal:** Focus on poverty alleviation through economic growth.
2. **Impact:** Achieve inclusive, pro-poor growth with equitable distribution and poverty reduction.
3. **Outcome:** Promote economic participation of the poor by enabling employment and income opportunities.
4. **Output:** Direct capital flow to businesses owned by poor individuals, facilitating financial access for self-employment and small businesses.
5. **Activity:** Extend banking services to poor households and labor-intensive sectors.
6. **Input:** Provide affordable financial products, including loans and deposits, tailored for poor households and small businesses.

Literary Support for Banking Strategy

Bangladesh Bank’s inclusive monetary policies and financial inclusion programs, as outlined in SDG Target Mapping (2018), emphasize extending financial services to underserved populations. Further studies by Sen (2010) and Khan (2012) support the role of financial inclusion in poverty reduction by enhancing access to savings, credit, and employment for disadvantaged groups. Aligning with these policies allows banks to contribute to poverty reduction through sustainable growth and development.

In summary, banks are pivotal in eradicating poverty by fostering economic inclusion through tailored financial services for the poor, in alignment with both Bangladesh’s national poverty reduction strategies and the broader SDG 1 framework.

SDG 2: Zero Hunger—End Hunger, Achieve Food Security, Improve Nutrition, and Promote Sustainable Agriculture

Selecting Workable Themes from SDG 2

SDG 2 focuses on ending hunger, achieving food security, improving nutrition, and promoting sustainable agriculture. It includes eight targets and 14 indicators. For Bangladesh, this section identifies themes relevant to the banking sector based on SDG 2's national development targets.

Summary of SDG 2 and Relevant National Targets for Bangladesh

Bangladesh’s 7th Five-Year Plan and National Priority Targets (NPT) outline key goals for SDG 2, such as:

1. **Ending Hunger:** Ensuring access to nutritious food for all.
2. **Ending Malnutrition:** Addressing both undernutrition and overweight issues in children.
3. **Doubling Agricultural Productivity:** Increasing the productivity and income of small-scale farmers by improving access to land, resources, financial services, and markets.

Relevant Indicators and Analysis

1. **Ending Hunger:** The prevalence of undernourishment is a critical indicator. This aligns with national targets to address malnutrition and ensure food access.
2. **Ending Malnutrition:** Indicators such as the prevalence of stunting and wasting in children reflect the national focus on improving child nutrition and food security.
3. **Doubling Agricultural Productivity:** Productivity per labor unit is essential for enhancing farmer income. Access to financial services is crucial to support this target.

Bank-Relevant SDG Themes

Banks can support SDG 2 by improving financial services for farmers, which enhances agricultural productivity and food security. Financial inclusion, credit, and digital payment services are key in supporting farmers and food processors, leading to increased agricultural output and stabilized food prices. Research by Barrett (2008) and Reardon et al. (2012) indicates that access to finance significantly boosts farmer income and food security.

Workable Themes Under SDG 2

The main themes banks can focus on include:

1. Increasing agricultural productivity and income for small farmers.

2. Reducing hunger and malnutrition through improved financial services.

Sustainable Banking Plan for SDG 2

Goal: Reduce hunger and malnutrition by enhancing agricultural productivity through financial services. Improved productivity will contribute to national food security and reduce malnutrition.

Impact: Increased agricultural productivity will help stabilize food prices and ensure better food access, contributing to overall food security.

Outcome: By boosting agricultural productivity, banks can help improve food access for poor households, stabilize food prices, and enable vulnerable populations to afford nutritious food.

Output: Providing access to financial services for poor farmers will ensure they have the necessary funds to enhance productivity and income, which will contribute to food security.

Activities: Expand banking services to rural areas and poor farmers, ensuring access to credit and digital payments. This will enhance their income and productivity.

Input: Invest in rural banking and agricultural loans. Facilitate efficient management of small loans and deposits to promote agricultural growth.

Literary Support

Research demonstrates that access to credit improves agricultural productivity. Studies by Asfaw et al. (2012), Islam (2017), and Yadav and Rao (2022) show that financial support to small farmers boosts yields and income, aiding food security. Additionally, Bangladesh Bank supports SDG 2 through agricultural credit policies, green finance, and climate programs, aligning banking activities with national food security goals.

By implementing these strategies, banks can play a pivotal role in achieving SDG 2, improving food security, and reducing hunger in Bangladesh.

SDG 4: Quality Education

SDG 4 ensures inclusive, equitable, and quality education for all and promote lifelong learning. SDG 4 has 10 targets and 12 indicators that address education access, equity, and outcomes. Below are selected national priorities and their relevance to the banking sector.

Selecting Workable Themes from SDG 4

Summary of SDG 4 and Relevant National Targets

Table 13 outlines Bangladesh's targets under SDG 4. National priorities from the 7th Five-Year Plan include 100% primary and secondary enrollment, ensuring quality education, and increasing access to technical and vocational training. Key national priority targets (NPT) include:

1. NPT 9: 100% primary education completion
2. NPT 10: 100% junior secondary education completion
3. NPT 11: 20% technical student participation in secondary education
4. NPT 12: Full access to electricity, water, sanitation, and internet in schools
5. NPT 13: Access to inclusive infrastructure for disabled students

Selecting Nationally Relevant SDG Targets

Relevant SDG 4 targets for Bangladesh include:

1. **Target 4.1:** Ensure free, equitable, and quality primary and secondary education (related to NPT 9 and 10).
2. **Target 4.4:** Enhance technical and vocational skills (linked to NPT 11).
3. **Target 4.a:** Create inclusive learning environments with necessary infrastructure (aligned with NPT 12 and 13).
4. **Target 4.c:** Increase the number of qualified teachers (relevant to 7th Five-Year Plan).

Selecting Bank-Relevant SDG Themes

The banking sector can support education by:

1. **Target 4.1:** Facilitating student loans and financial resources for primary, technical, and vocational education.
2. **Target 4.4:** Offering savings products to help families plan for education expenses. Studies (Prina, 2013; Ashraf et al., 2006) show that access to savings accounts can increase education-related spending. **Workable Themes:** Enhancing enrollment, quality, and completion of education at all levels.

Sustainable Banking Plan for SDG 4

Goal: Support quality education through increased enrollment, quality, and completion of general and technical education.

Impact: Contribute to full employment through enhanced labor efficiency by fostering human capital development.

Outcome: Increase the supply of skilled labor through improved literacy, education, and technical skills.

Output: Encourage savings among vulnerable groups to enhance educational attainment, especially among lower-income families and disadvantaged areas.

Activity: Promote financial inclusion by offering savings accounts to unserved groups, improving financial literacy, and supporting education-related financial planning.

Input: Mobilize deposits from vulnerable groups with affordable banking products.

Literary Support: Studies from Nepal (Prina, 2013) and Mexico (Skoufias et al., 2001) show the positive impact of financial services on education spending and enrollment, particularly for girls and lower-income families. Bangladesh Bank's policies, such as financial education programs and skill development initiatives, align with SDG targets 4.1 and 4.4.

SDG 5: Gender Equality – Achieve gender equality and empower all women and girls

Selecting Workable Themes from SDG 5

SDG 5 aims to ensure that women and girls have equal opportunities and rights as men and boys. There are 9 targets and 14 indicators to measure progress, with a focus on eliminating gender-based discrimination and enhancing women's participation in public and economic life. The key targets relevant to Bangladesh are derived from the UN's SDG framework, Bangladesh's 7th Five-Year Plan, and its National Priority Targets (NPTs).

a. Summary of SDG 5 and Relevant National Targets for Bangladesh:

1. **SDG Targets**:
    - i. 5.1: End gender discrimination.
    - ii. 5.2: Eliminate violence against women.
    - iii. 5.3: End harmful practices like early marriage.
    - iv. 5.5: Ensure women's participation in leadership.
    - v. 5.a: Ensure equal rights to resources like land and financial services.
2. **7th Five-Year Plan Goals**:
    - i. Increase the Gender Parity Index in tertiary education to 1.0.
    - ii. Raise the female literacy rate for ages 20-24 to 100%.
    - iii. Ensure 25% of public officers are female by 2020.
3. **National Priority Targets**:
    - i. Reduce the percentage of women married before 15 to zero and before 18 to 10%.
    - ii. Increase female labor force participation to 50%.

b. Nationally Relevant SDG Targets:

- i. **5.a**: Ensure women's equal rights to resources, including financial services.
- ii. **5.3**: Eliminate harmful practices like child marriage.
- iii. **5.5**: Promote women's leadership in economic and public life.

c. Bank-Relevant Themes:

- i. **5.a**: Equal rights for women in access to financial services and ownership of productive resources. Banks can support women entrepreneurs by providing loans and efficient payment systems.
- ii. **5.3**: Eradicate harmful practices, such as child marriage, which links to social responsibility.
- iii. **5.5**: Encourage women's participation in leadership roles.

Sustainable Banking Plan for SDG 5

Banks play a critical role in empowering women economically by offering them equal access to financial services. This strengthens women's participation in the economy and decision-making processes.

1. **Goal**: Economic empowerment of women through equal access to financial resources.
2. **Impact**: Inclusive growth with greater participation of women in economic activities.
3. **Outcome**: Increased leadership roles and economic participation for women.
4. **Output**: Financial access for women through loans, savings, and entrepreneurship programs.
5. **Activity**: Expanding banking services for women, both in urban and rural areas, and promoting financial literacy.
6. **Input**: Mobilize funds and promote financial literacy tailored to women's needs.

Literary Support

Studies show that access to financial services improves women's economic participation and decision-making power (Bhatia & Singh, 2019; ADB, 2015). In Bangladesh, gender-sensitive policies from the central bank align with SDG 5 targets.

SDG 8: Decent Work and Economic Growth

Selecting the Workable Theme

SDG 8 aims for sustained, inclusive, and sustainable economic growth with decent work for all, including 12 targets and 17 indicators. To focus on national and banking relevance, we identify the following targets for Bangladesh:

Summary of SDG 8 and Relevant National Targets for Bangladesh

Bangladesh aligns its national priorities with SDG 8 targets in its 7th Five-Year Plan and National Priority Targets (NPT). Key priorities include achieving GDP growth of 7%, increasing economic productivity through diversification, improving financial access for SMEs, enhancing resource efficiency, promoting employment, and reducing unemployment, especially among youth.

Table 21: Summary of SDG 8 Targets for Bangladesh

1. **8.1:** 7% per capita economic growth
2. **8.2:** Higher economic productivity through technology and labor-intensive sectors
3. **8.3:** Policies to support SME growth through improved financial access
4. **8.4:** Decouple economic growth from environmental degradation
5. **8.5:** Promote employment and decent work with equal pay
6. **8.6:** Reduce youth unemployment
7. **8.7:** Eradicate forced labor and child labor
8. **8.8:** Promote labor rights

9. **8.10:** Strengthen domestic financial institutions
10. National Priority Targets: Increase GDP growth to 10%, reduce unemployment to below 3%, and decrease youth not in employment or training to 10%.

Selecting Nationally Relevant SDG Targets

From the 7th Five-Year Plan and NPT, the following targets are deemed relevant for Bangladesh:

1. **8.1:** Sustain GDP growth at 7%
2. **8.4:** Improve resource efficiency and decouple growth from environmental degradation
3. **8.5:** Ensure productive employment and decent work for all
4. **8.6:** Reduce youth unemployment
5. **8.3 & 8.10:** Promote SME growth and expand access to financial services, highly relevant for the banking sector.

Selecting Bank-Relevant SDG Impact Themes

Banks can play a pivotal role by aligning with themes such as GDP growth, SME promotion, resource efficiency, employment generation, and financial inclusion. The bank's core functions—financial intermediation, resource allocation, payment systems, and risk management—align with these SDG targets. For example, banks contribute to GDP growth through capital mobilization and offer financial access to SMEs, helping them formalize and grow. Table 23: Bank-Relevant Themes and Targeted Sectors:

1. **8.1:** GDP growth via efficient resource allocation
2. **8.3:** SME financing
3. **8.4:** Resource efficiency and environmental sustainability
4. **8.5:** Promote productive employment and decent work
5. **8.6:** Address youth unemployment
6. **8.10:** Strengthen access to banking services

Literature Support

Dunford (2006) and Mahbub (1988) show that microfinance positively impacts poverty reduction and job creation, particularly through SME financing and microcredit programs. Rosner (2010) also highlights that financial development—through increased private credit, money supply, and deposit opportunities—can significantly reduce poverty. Studies further show that financial inclusion leads to improved economic welfare and enterprise growth, reinforcing the banking sector's role in SDG 8.

Sustainable Banking Plan for SDG 8

Based on the above themes, banks can adopt a sustainable banking plan as outlined below:

Goal: Contribute to sustainable economic growth, GDP expansion, employment, financial inclusion, SME promotion, and decoupling growth from environmental degradation.

Impact: Support sustainable economic growth by increasing trade, reducing unemployment, and promoting resource efficiency. Aligning economic growth with social and environmental sustainability is key.

Outcome: Enable sustainable development by increasing GDP per capita, expanding employment opportunities, financing SMEs, supporting trade, and fostering environmental sustainability.

Output: Increase capital flows and customer networks, especially targeting SMEs, labor-intensive industries, and eco-friendly sectors.

Activities: Prioritize expanding services to SMEs, environmentally friendly businesses, and underserved markets. Enhance customer satisfaction through tailored marketing and product innovation.

Inputs: Mobilize capital by offering targeted financial products for SMEs, labor-intensive industries, and eco-friendly sectors.

Literature Support

Ayyagari et al. (2021) found that increased access to finance promotes job growth, particularly in SMEs. UNEP FI (2018) highlights the role of banks in promoting global sustainable finance. Claessens and Erik (2006) emphasize that financial services can support sustainable growth by improving transaction efficiency and reducing vulnerability to shocks.

In line with Bangladesh Bank's policies, SDG 8 is supported through monetary and inclusive credit policies, green finance, and financial inclusion programs.

SDG 10: Reduced Inequality

Selecting the Workable Theme

SDG 10 aims to foster equal opportunities and participation in social, economic, and political life. It has 10 targets and 11 indicators. For Bangladesh, relevant themes are chosen based on national priorities outlined in the 7th Five-Year Plan and National Priority Targets (NPT).

Summary of SDG 10 and National Targets for Bangladesh

The UN's SDG 10 targets include:

1. **10.1**: Income growth for the bottom 40% should surpass the national average.
2. **10.2**: Inclusion of individuals living below 50% median income.
3. **10.3**: Restructure laws and policies for equality.
4. **10.5**: Improve financial market regulation.
5. **10.7**: Manage migration responsibly.
6. **10.a**: Special treatment for developing countries in trade.
7. **10.b**: Encourage financial flows to LDCs.
8. **10.c**: Reduce remittance costs.

Bangladesh's 7th Five-Year Plan and NPT align with these targets:

1. **7th Plan**: Increase social protection spending to 2.3% of GDP and reduce income inequality.
2. **NPT 28**: Reduce income disparity ratio to 20.
3. **NPT 29**: Lower migration recruitment costs to 10% of yearly income.

Selecting Nationally Relevant SDG Targets

Table 26: Nationally Relevant Targets from SDG 10

1. **10.1**: Achieve higher income growth for the bottom 40% than the national average (Indicator: Growth rates of household expenditure or income).
2. **10.b**: Encourage financial flows to LDCs and developing countries (Indicator: Total resource flows).
3. **10.c**: Reduce remittance costs to less than 3% (Indicator: Remittance costs).
4. **10.5**: Improve regulation of financial markets (Indicator: Financial Soundness Indicators).

Selecting Bank-Relevant SDG Impact Themes

Table 27: Bank-Relevant Themes

1. **10.1**: Growth of per capita income among the bottom 40% (Targeted people: Poor) – Banks can aid through targeted resource allocation and efficient payment systems.
2. **10.5**: Regulation of financial markets (Targeted people: Financial Institutions) – Banks must ensure sound financial market regulations.
3. **10.c**: Reducing remittance costs (Targeted people: Expatriates) – Banks can reduce remittance costs through competitive rates and lower fees.
4. **10.b**: Encouraging financial flows to LDCs (Targeted people: International financial flow) – Banks support this by promoting ODA and FDI.

Literary Support

Beck, Demirgüç-Kunt, and Levine (2007) found that financial development helps increase poor incomes faster than the average, reducing inequality. Beck et al. (2004) also showed that more private credit reduces poverty and inequality.

Sustainable Banking Plan for SDG 10

Sustainable Banking Plan

Goal: Increase income and overseas financial flow among the poor.

1. **Impact**: Achieve equitable distribution and balance of payments.
2. **Outcome**: Enhance income and financial transactions for poor households.
3. **Output**: Increase access to financial services for the poor.
4. **Activity**: Focus on providing loans and facilitating remittance flow to the poor.
5. **Input**: Allocate and manage funds for the poor, ensuring affordability.

Literary Support

The World Bank (2019) discusses international trade's impact on growth and inequality. Migration reports highlight remittances' role in reducing poverty and inequality.

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Alignment with Bangladesh Bank's Programs

1. **10.1**: All credit, monetary, and financial inclusion policies.
2. **10.5**: Financial sector regulation and supervision.

Source: SDG Target Mapping by Bangladesh Bank, 2018.

Barriers and Limitations to Implementing the Proposed Sustainable Banking Model:

The implementation of a sustainable banking model to support SDGs faces several challenges. Below are key barriers and recommendations.

Conflict Between Profitability and Sustainability Motives

Barrier: Banks prioritize short-term profits over long-term sustainability goals (Weber & Feltmate, 2016). **Recommendation**:

1. **Align Incentives**: Governments can offer tax breaks or green financing to incentivize sustainable practices (Schoenmaker & Schramade, 2019).
2. **Adopt a Long-Term Vision**: Banks should integrate sustainability risks, such as climate change, into their core strategies (Caldecott et al., 2014).

Lack of Standardized Indicators and Metrics

Barrier: The absence of standardized metrics hinders measuring sustainability impacts, particularly indirect effects (Bebbington & Unerman, 2018).

Recommendation

1. **Adopt Standards**: Use frameworks like the Global Reporting Initiative (GRI) and UNEP FI (GRI, 2020).
2. **Promote Data Transparency**: Require clear sustainability reporting to ensure accountability (Wright & Nyberg, 2017).

Cultural Resistance and Capacity Limitations

Barrier: Resistance from internal stakeholders and a lack of expertise in sustainability management (Linnenluecke & Griffiths, 2010).

Recommendation:

1. **Training Programs**: Implement continuous education on sustainable banking (Stewart & Niero, 2018).
2. **Leadership Buy-In**: Top management must prioritize sustainability (Miller, 2019).

Adapting to a Dynamic Regulatory Environment

Barrier: Changing regulations create uncertainty, making long-term planning difficult (Kane, 2019).

Recommendation:

1. **Engage with Regulators**: Collaborate with policymakers to shape supportive regulations (Thistlethwaite, 2014).
2. **Operational Flexibility**: Develop agile business models to adapt to regulatory changes (Gatzert &

Kosub, 2016).

Limited Consumer Awareness and Participation

Barrier: Consumers lack awareness of the benefits of sustainable banking (Barclay & Buckley, 2020).

Recommendation:

1. **Consumer Education**: Launch campaigns to raise awareness of sustainable banking products (Tariq, 2014).
2. **Offer Green Products**: Develop products like green loans and sustainability-linked bonds (Fatica et al., 2019).

Resource and Cost Constraints

Barrier: High costs of technology and infrastructure, especially for smaller banks (Weber & ElAlfy, 2019).

Recommendation:

1. **Public-Private Partnerships (PPP)**: Collaborate with government and international agencies to share costs (Smith & Woods, 2020).
2. **Green Financing**: Access concessional capital from climate funds (Gabor & Brooks, 2017).

Short-Term Financial Market Pressures

Barrier: Shareholders pressure banks for short-term financial returns, hindering long-term sustainability investments (Eccles & Serafeim, 2013).

Recommendation:

1. **Sustainability-Linked Bonds**: Create financial instruments that appeal to long-term, sustainability-focused investors (Cochu et al., 2019).
2. **Engage Responsible Investors**: Attract socially responsible investors (Renneboog et al., 2008).

Risk Aversion in Financing Sustainable Projects

Barrier: Sustainable projects are often perceived as high-risk (Harnett et al., 2020).

Recommendation:

1. **Risk-Sharing Mechanisms**: Use blended finance or credit guarantees to mitigate risk (Mawdsley et al., 2014).
2. **Innovative Financing Models**: Implement crowd funding and impact investing to diversify financing (Bugg-Levine & Emerson, 2011).

CONCLUSION

Sustainable banking, as a strategic tool for addressing the SDG funding gap in Bangladesh, requires a holistic approach that transcends traditional financial metrics. This research underscores the critical need for banks to integrate sustainability into their core operations while developing transparent and objective frameworks to ensure their contributions to the SDGs. While macro-level policies provide a solid foundation, a greater emphasis on institutional-level strategies is crucial. Embedding sustainability within the micro-level processes of individual banks and aligning corporate strategies with both national and global sustainability goals will allow the banking sector to contribute significantly to SDG achievement. The success of these efforts hinges on banks' ability to innovate and implement sustainable practices that not only fulfill profitability objectives but also generate long-term positive social, environmental, and economic impacts.

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