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The Intersection of Regulation, Innovation, and FinTech in Accelerating Green Finance: Insights from Bangladesh

S. Ahmed^{1*}, M. E. Islam¹, M. Shahin Sarwar²

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ABSTRACT

The paper addresses the current situation and discusses the trends of innovation, challenges and opportunities of green finance in Bangladesh, including FinTech, regulation, product development and customers' awareness. Bangladesh is highly vulnerable to climate change and requires a robust green finance plan to ensure that it grows in a sustainable way without dependent heavy reliance on carbon intensive and polluting resources. The study adopted a mixed methods design that consisted of a questionnaire survey of 250 respondents, semi structured interviews with practitioners and a review of secondary data to explore green finance and its challenges. Despite having policies, green finance is not taking off, there is a lack of clarity; products are scarce, awareness low and FinTech solutions are not as advanced as they could be. A multiple linear regression (MLR) found that cost rhetoric (such as regulatory and fiscal incentives) have a significant positive relationship with green finance adoption whereas FinTech and market preparedness have no significant relationship. The main idea of thematic analysis was lack of skills and lack of knowledge about customers. The regression model was found to be significantly significant ($F = 2.497$, $p = 0.023$), which implies that regulation and finance have an influence on adoption. As a result, the paper recommends to use coordinated reforms to promote a green transformation in Bangladesh targeting explicit regulation, increased products, awareness creation and facilities. All these changes will be a means to connect the financial system to the Global Sustainable Development Goals and pave the way to inclusive green growth.

INTRODUCTION

Anthropogenic degradation and climate change of the Earth are among the big concerns of modern time. More frequent and severe natural disasters, accelerating sea-level rise, loss of habitat, species extinction and the exhaustion of natural resources act as an alarm call for sustainable development and financing provision at all levels in the economy. Finances and Models: As countries move towards aligning with global accord such as the Paris Agreement and broader sustainable development goals, they seek financial systems that will enable such alignment. Institutions are increasingly required to align their business with climate-resilient and low-carbon development. Green finance-specifically, financial products that are responsive to environmental performance-has proven to be a powerful enabler to mobilize public and private capital for renewable energy, green infrastructure, adaptation to climate impacts and other environmentally positive investments (World Bank 2021; IFC 2020).

In Bangladesh, there is a high degree of urgency in reliance on green finance. The country is highly vulnerable to the effects of global climate change in terms of environmental and socio-economic risks due to its location in a low lying delta prone to rise in sea levels, increase and severity of cyclones, floods, erratic rainfall and variability of temperature. Such susceptibilities are compounded with urban centres of high population density and poverty levels which hamper adaptation

capacities. In turn, establishing resilience to climate change and sustainable infrastructure holds essential valuable information towards abating the ecological and socio economic risks in the long term (Bangladesh Bank, 2023; Bangladesh Institute of Development Studies (BIDS), 2020).

Keeping the pace with these things, Government of Bangladesh and the central bank have taken an array of policy actions with the vision that a green finance ecosystem should be created as a primary objective. The Green Banking Guidelines (2011) was one of the earliest efforts to place the banking activities on environmentally sustainable paths by requiring that the green risk is accounted as part of the loan terms and financial incentives is offered for green investment projects. Bangladesh's 2020 Sustainable Finance Policy (SFP) in turn introduced a better founded framework for the development of new green products and the flow of capital into climate and environment friendly sectors (Bangladesh Bank 2023; Bangladesh Institute of Development Studies (BIDS) 2020). But the current maturity level of the Bangladesh green finance market is in its early stage and there are huge challenges involved.

The space for innovation in the product ecosystem is limited, with green bonds, carbon credits and sustainability linked loans only recently gaining traction in the international marketplace and remaining underdeveloped on the domestic front. Eventually, the challenge minimizes the vertical perimeter of the

¹ Finance Department, Bangladesh University of Professionals, Dhaka, Bangladesh

² Business Administration in Finance and Banking, Bangladesh University of Professionals, Dhaka, Bangladesh

* Corresponding author's e-mail: shakil.bup33@gmail.com

territory for the sustainable progress of national agendas (Rahman, Ahmed & Chowdhury, 2022).

Financial technologies (FinTech) and more broadly technological innovation could be the answer to overcoming these limitations and accelerating green finance. Blockchain, artificial intelligence (AI), and digital platforms are among the potential tools through which transparency, costs, and access of green services could be improved. For example, blockchain can create immutable records of green investments or allow trading of carbon credits; and AI can help in the computation of the environmental risk assessment and portfolio optimization to sustainability. However, the application of such new technologies is not widespread in Bangladesh and is mostly limited by the lack of infrastructure, uncertainty in regulation and institutional weakness (Khan & Hossain, 2019; Miah *et al.*, 2019).

Taken together, these dimensions show the gap between well intentioned policies and concrete market results in Bangladesh's green finance sector. Regulations and guidance have been implemented but there is little evidence of the measurable environmental impact. Most of the new products cannot be widely accepted by people, and the reduction of carbon emissions or increase in the use of renewable energy has low recorded data (Rahman *et al.*, 2022). This gap is, again, reason why a comprehensive and systematic overview of the state of green finance is needed with particular emphasis on best practices, remaining gaps and the opportunity of further development.

With the present study, the gap in evidence is desired to be filled and to make a further evaluation of the current state of affairs, concerns and opportunities of green financial innovation in Bangladesh. It finds how institutional finance is developing and offering products including green bonds, carbon credits, sustainability-linked loans, and the impact these products have been having on the ambition for making the changes to sustainable economies by reducing carbon emissions and embracing renewable technology.

Owing to this reality, Bangladesh's challenge is to simultaneously ensure the management of climate risks whilst maintaining sustainable economic growth. Green finance will play a role in getting finance to projects that provide environmental protection. But this may be done within risk-taking, be it developing new products, making it easy for our customers and adopting new technology. The present paper is to explain those difficulties. It sheds light on the nature of green financial products, the measure of their environmental impact, how they can be assisted by FinTech and how customers engage with them. All the above are necessary to develop an effective green finance system for Bangladesh.

Objectives of the Study

1. To identify the new green financial products offered by Bangladeshi banks in areas such as green bonds, carbon credits and sustainability linked loans

2. Further, their contribution to sustainability targets (i.e. carbon emissions and renewable energy) can be measured to evaluate the impact of the green financial products.

3. Aiming to explore the possible contribution of new FinTech to the bold adoption of green financial products on the part of both lenders and consumers.

LITERATURE REVIEW

Begum *et al.* (2021) fit the green banking ecosystem in Bangladesh within a framework of incipency where there is little product innovation and little awareness among the general population about environmentally sustainable financial products. According to their survey, most financial institutions have not been able to progress beyond regulatory compliance and the trend is of superficial commitment to green financing as green bonds and sustainability-linked loans are adopting slowly. As noted by Rahman *et al.* (2022), although the regulation system is one of the foundations of green finance in Bangladesh, little empirical evidence is capable of illustrating that green bonds, carbon credits, or sustainability-linked loans promote sustainable investment or increase customer awareness. They observe that these devices are not well appreciated and that it has not yet produced significant contributions to the environmental goals.

Khan and Hossain (2019) scrutinize the opportunities of the digital innovation in green-finance sector in Bangladesh and hypothesize that blockchain and artificial intelligence will increase transparency and accessibility. However, green finance has low rates of adoption and integration of the FinTech solutions because of the infrastructural and regulatory limitations.

Ahmad *et al.* (2013) analyzed the motivations of Bangladeshi commercial banks in taking green banking. Their research indicated that awareness and trust of customers are of extreme importance. Government regulations also enable banks to act in a sustainable manner. However, there are numerous challenges that green banking has to face, such as lack of new green banking instruments and weak customer relations. This issue is consistent with past research in that stronger policy and improved education is desired for green finance in Bangladesh (Ahmad *et al.*, 2013).

Rahman *et al.* (2021) made a comparison of green banking programs of Kerala, India, which provides a valuable reference for Bangladesh. The literature proves that the customers must have the awareness about green finance, and that satisfied, loyal customers help. It signified the crucial position of banks towards controlling knowledge dissemination and awareness of eco-friendly banking, which mirrors the opinions of Bangladesh in general (Rahman *et al.*, 2021).

Miah *et al.* (2019) points out that digital technology has emerged rapidly in finance but there has been little use of it in green finance in Bangladesh. In green banking, the key improvement of digital platforms is the need for

more money and institutional changes in order to make a difference in the delivery.

According to the Sustainable Finance Forum (2021), green financial products remain unused and inadequately developed, and the reason is their weak understanding of clients, mostly due to the lack of customer education and institutional reach. The results of their work indicate that higher level of participation should be graced with financial institutions taking a more proactive stance in terms of educating clients on the benefits of the concept of green products with the aim of facilitating participation by more clients.

Bangladesh Bank (2023) documents its significant actions in the field of policy, among which there are the Green Banking Guidelines (2011) and the Sustainable Finance Policy (2020), where the environment plays an essential role in the regulations. Nevertheless, there are also limitations related with low product diversification, insufficiently trained employees at the bank, and the need to develop an effective outreach to the people recognized in official documents.

Policy applications and market holes are analysed in Bangladesh Institute of Development Studies (BIDS, 2020) with a conclusion that the ongoing and highly effective structure implemented by governmental and regulatory organisations is often sluggish in its implementation as the sector is not yet ready and looks upon the lack of collaboration between the private and governmental organisations.

Green finance is the subject of attention by IFC (2020) and the World Bank (2021) as the source of financing that can help in aligning the growth of emerging economies, including Bangladesh, with the goals of a sustainable economy. The two organisations promote continued innovation and investment in order to make use of the cash available in the private sphere and gain substantial advantages of climate adaptation.

Collectively, the studies show that although the policy thus far is improving, not to mention the established capability to acknowledge the value of innovation in furthering green finance, major loopholes continues to exist in terms of product development, client engagement, and technological incorporation.

Research Gaps and Synthesis

As a whole, the corpus of the reviewed literature forms an all-encompassing background of knowledge regarding the global and Bangladesh-related concerns and possibilities related to the topic of green finance. Still, some important gaps appear. Not much empirical research has been done on the efficacy of policy tools and the effect of novel green products on the investment behaviour and sustainability outcomes.

There is not much knowledge regarding how customers perceive and how aware they are when deciding to use a product. Additionally, there is a pervasive need for developing a better understanding of the role of FinTech and emerging technology to developing green finance.

Most of the studies emphasize the supply side, not enough on the demand side or customers' behavior. Little is known about the financial or regulatory incentives to transact green financial products, and this is particularly true when it comes to green products for people in Bangladesh. Because of such rapid change in the rules and the technology, there is a critical need for deep descriptive goal-independent research led by comparison between sectors that can guide effective policy and practice.

MATERIALS AND METHODS

This thesis is using a convergent parallel mixed methods research design to produce a holistic and comprehensive examination of green finance innovation in Bangladesh and the role it plays on advancement of customer awareness and sustainable investment choices. By using both quantitative and qualitative methods, the methodology allows triangulation between different point of views.

The primary focus is on formal financial institutions in Bangladesh, recognized as the main channels for green finance products and policy implementation. The quantitative survey involved 250 respondents, selected using random sampling to ensure representation across age, gender, occupation, and education groups.

For qualitative insights, semi-structured interviews were conducted with key informants, including green finance professionals and officers working in banks, regulatory authorities such as Bangladesh Bank, and relevant development partners or policy think tanks involved in fostering sustainable finance.

Data Collection

The main quantitative instrument for data collection will be a structured questionnaire focusing on bankers and financial professionals all over Bangladesh. This section measured the key research variables using Likert-scale statements (1 = Strongly Disagree to 5 = Strongly Agree).

The distribution of items was as follows

1. Section 1 (Demographic information) – 4 items
2. Section 2 (Questions on dependent variable) – 1 items
3. Section 3 (Questions on independent variable)- 5 items
4. Section 4: (Adoption and Challenges of Green Finance)- 6 items
5. Section 5: (Policy Recommendations)- 1 item

In addition to data collection on a quantitative level, in-depth semi-structured interviews will be conducted with a selected sample of experts in the green finance industry, in order to capture a rich qualitative data. This will include the senior bankers, practitioners in green finance, and the appropriate policy makers. The interview protocol should be semi-structured, at a minimum, so that probing as well as follow-up assessment questions can be asked based on responses received across areas of interest in the interview. Experiences in implementing

green finance, barriers and opportunities, regulatory and market challenges, the role of FinTech and suggestions on how to move the sector forward will be discussed. Interviews will be audio-recorded (with permission), transcribed and analysed thematically to identify common and unique themes.

The study will draw its theoretical background from an extensive review of scientific articles in peer-reviewed academic journals and scholarly books. In addition, it will analyze relevant official reports and policy documents from government and regulatory bodies such as Bangladesh Bank, BIDS, and pertinent ministries, as well as national and international guidelines. Furthermore, technical reports and papers published by organizations like the World Bank, IFC, ADB, GCF, and other national and international institutions will be examined to understand and position Bangladesh's green finance practices within an international context.

Data Analysis

Multiple Linear Regression (MLR) will be used to analyze the relationship between several variables (IVs) and a dependent variable (DV) related to green finance adoption. The regression model will help identify the factors that significantly influence the adoption of green finance products in Bangladesh.

- a) Dependent Variable (DV):
 - i. Adoption of Green Finance Products
- b) Independent Variables (IVs)
 - i. Readiness of the market for Green Finance
 - ii. Regulatory barriers limiting Green Finance adoption
 - iii. FinTech's role in Green Finance adoption
 - iv. Financial incentives for adopting Green Finance
 - v. Limited availability of Green Finance products
 - vi. High cost and financial constraints

The Multiple Linear Regression (MLR) model will be constructed as follows:

$$Y = \beta_0 + \beta_1(\text{awareness}) + \beta_2(\text{perceived benefits}) + \beta_3(\text{regulatory barriers}) + \beta_4(\text{market readiness}) + \beta_5(\text{fintech role}) + \epsilon$$

Where,

Y represents the adoption of green finance products (this is the dependent variable or DV).

β_0 is the intercept, which is the value of Y when all independent variables are equal to zero.

$\beta_1, \beta_2, \dots, \beta_5$ are the coefficients that represent the relationship between the independent variables (awareness, perceived benefits, regulatory barriers, market readiness, and the role of FinTech) and the dependent variable (adoption of green finance products). These coefficients indicate how much the dependent variable (Y) is expected to change when the corresponding independent variable changes by one unit.

In this research Multiple Linear Regression (ML) was used to know the relationship between independent variables and the dependent variable. For instance, does awareness of green finance dominate over market readiness for adoption, or perceived benefits Based on the relationship, the regression model will enumerate the independent variables against the dependent variable and we will know which factors contribute to increased or decreased adoption of green finance and how much each factor is responsible for it.

RESULTS AND DISCUSSION

The results are organized according to the mixed methods approach outlined in the methodology, beginning with quantitative survey analysis, followed by qualitative insights from semi-structured interviews, thematic synthesis, integration with existing literature, and concluding with implications for policy and practice.

Frequency Responses

The majority of respondents (79.6%) are aged 26–35 years, with smaller proportions in the 36–45 years (12.4%) and 18–25 years (7.6%) groups, and minimal representation above 45 years. Gender distribution is notably imbalanced, with 85.2% male and 14.8% female participants, indicating potential sampling bias or a male-dominated target group. Regarding education, most respondents are highly qualified: 58% hold a Master's degree, 26.4% a Bachelor's degree, while smaller shares have HSC (9.2%), SSC (5.2%), and PhD/MPhil (1.2%) qualifications. Occupationally, investors or potential investors form the largest group (58.8%), followed by bankers (14%), business owners (11.2%), researchers (7.6%), policymakers (5.6%), and green finance experts (2.8%), providing a diverse professional mix relevant to green finance adoption.

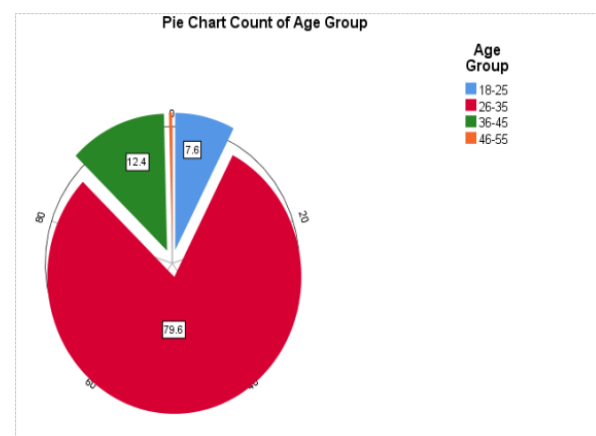


Figure 1: Pie chart showing Age distribution

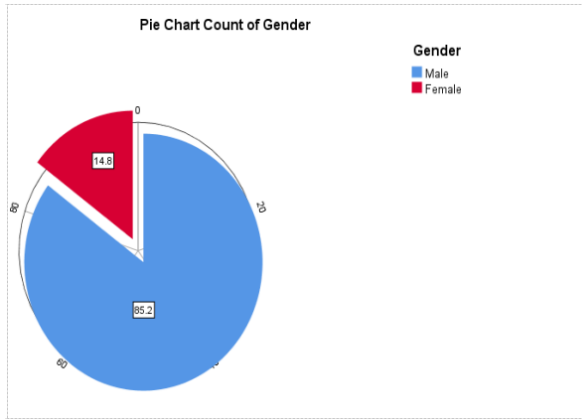


Figure 2: Pie chart showing Gender distribution

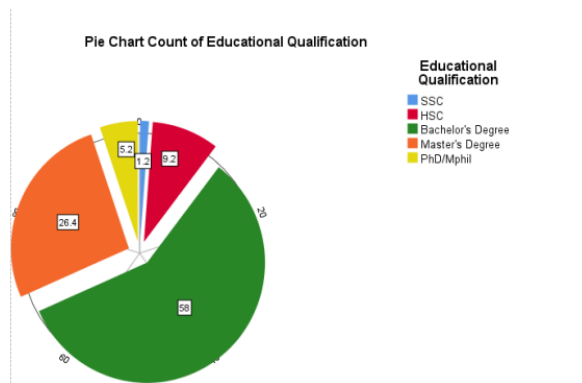


Figure 3: Pie chart showing educational qualification distribution

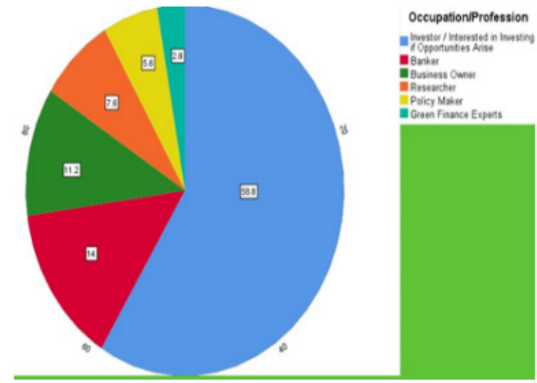


Figure 4: Pie chart showing occupation of the Respondent

Descriptive and Inferential Statistics

The following table summarizes the descriptive statistics for the key variables:

The average perception of respondents to factors like Green Finance product adoption, market readiness, and FinTech roles, etc., is captured in the mean values. For instance, both “Adoption of Green Finance products in the future” and “FinTech’s role in Green Finance adoption” mean are moderately positive with high means (3.64) whereas “limited availability of Green Finance products” have a mean of 2.68 is comparatively more negative. These standard deviations demonstrate the extent of variability associated in responses, a higher standard deviation indicating more differing responses. In summary, the

Table 1: showing the descriptive statistics of the variables.

Variable	Mean	Standard Deviation	N
Adoption of Green Finance products in the future	3.64	1.157	250
Readiness of the market for Green Finance	3.23	1.079	250
Regulatory barriers limiting Green Finance adoption	3.14	0.904	250
FinTech's role in Green Finance adoption	3.64	0.705	250
Financial incentives for adopting Green Finance	3.27	1.385	250
Limited availability of Green Finance products	2.68	1.330	250
High cost and financial constraints	3.14	1.451	250

data shines a light on a dualism of optimism for future adoption with FinTech’s role in the market alongside concerns around market maturity & response, regulations, and the lack of supply of Green Finance products.

Correlation Analysis

The correlation analysis explores the relationships between the adoption of Green Finance products and other variables. Key correlations include:

Table 2: Showing correlation analysis among the variables

Variable	Adoption of Green Finance	Market Readiness	Regulatory Barriers	FinTech's Role	Financial Incentives	Limited Availability of Products
Adoption of Green Finance	1.000	0.040	0.127	0.051	0.106	0.103
Market Readiness	0.040	1.000	0.087	0.167	0.149	0.127
Regulatory Barriers	0.127	0.087	1.000	0.191	-0.164	0.160
FinTech's Role	0.051	0.167	0.191	1.000	0.082	-0.164
Financial Incentives	0.106	0.149	-0.164	0.082	1.000	0.097

Limited Availability of Green Finance Products	0.103	0.127	0.160	-0.164	0.097	1.000
High Cost and Financial Constraints	-0.114	-0.218	-0.164	-0.005	0.097	0.466

The correlations show weak to moderate relationships among most of the variables, with the highest correlation being between High Cost and Financial Constraints and Limited Availability of Green Finance Products (0.466), to summarise - although there is some relationship between the data, there is not a strong linear dependency in most of them. High Cost and Financial Constraints are negatively correlated with other variables

(Adoption of Green Finance and Market Readiness) which suggests that financial constraints will not only be difficult for the adoption but may also hinder market development.

Multiple Linear Regression Model Summary

The regression analysis was conducted with the following model summary:

Table 3: MLR model Summary

Model	R	R ²	Adjusted R ²	Standard Error of Estimate
1	0.241	0.058	0.035	1.137

ANOVA

The ANOVA results indicate the overall significance of

the model:

The F-statistic and p-value were 2.497 and 0.023 (p < 0.05),

Table 4: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	19.360	6	3.227	2.497	0.023**
Residual	313.956	243	1.292		
Total	333.316	249			

indicating that the model is statistically significant, which means that there were some predictor variables which have a relationship with the dependent variable, Green Finance adoption. The R2 value was 0.058 with a small amount of variance explained at 5.8%, although this is a good result because it shows that factors are important to consider in adoption even for extremely small R2 values. Importantly, the significance of the key predictors in the model (Regulatory Barriers and Financial Incentives) is statistically significant which implies that in order to

support the Green Finance, it is important to improve the Regulatory Barriers and provide financial incentives. In sum, the model reflects some of the important dynamics of Green Finance adoption and can be used as a starting point for further refinement of the approach and for incorporating other drivers.

T-Test Results (Coefficients Table)

The coefficients for the regression model are presented below:

Table 5: T Test Result analysis

Predictor	B	Std. Error	Beta	t	Sig.
(Constant)	2.556	0.581		4.396	0.000
Market Readiness	-0.044	0.071	-0.041	-0.616	0.539
Regulatory Barriers	0.174	0.083	0.136	2.103	0.037*
FinTech's Role	0.078	0.108	0.048	0.723	0.470
Financial Incentives	0.143	0.055	0.171	2.574	0.011*
Limited Availability of Green Finance Products	0.084	0.060	0.097	1.402	0.162
High Cost and Financial Constraints	-0.094	0.053	-0.118	-1.757	0.080

*Regulatory barriers (B = 0.174, p = 0.037), showing that addressing regulatory barriers can positively affect Green Finance adoption.

* Financial incentives (B = 0.143, p = 0.011), suggesting that offering financial incentives can significantly

encourage adoption.

Other predictors, such as Market readiness (p = 0.539), FinTech's role (p = 0.470), and Limited availability of Green Finance products (p = 0.162), were not statistically significant in this mode

Thematic content analysis

The thematic content analysis of interviews with green finance professionals revealed four key themes outlining obstacles and opportunities for green finance in Bangladesh.

Regulatory Barriers

Interviewees highlighted inconsistencies in policy enforcement, frequent regulatory changes, and lack of standardized guidelines as major hurdles. A unified green finance taxonomy was seen as beneficial for product design and reporting. Regulatory uncertainty was noted to undermine financial institutions' confidence to innovate or expand green finance offerings.

Market Readiness

Commitment in large scale is increasing but varies for green finance. Larger banks have better green finance capacity while smaller banks and non-bank institutions are restricted by high transaction costs, approval delays and assessing environmental risk; the latter has a disproportionate impact on smaller lenders and rural beneficiaries.

Customer Awareness

Limited awareness on the part of individual and corporate customers especially SMEs and rural entrepreneurs is a major constraint towards adoption. In terms of real-world applications, we suggested targeted awareness-raising and training activities to demonstrate the usefulness and the practical value of green finance products.

Role of Green Finance FinTech

Participants recognised digital technology such as blockchain, data analytics and digital platforms as critical to lower costs, increase transparency and speed up green finance transactions. Despite the strong uptake by a number of mainstream banks, FinTech adoption in general is still very limited, requiring further investment and a supportive regulatory framework.

In conclusion, the analysis anticipates that addressing regulatory uncertainties, market-readiness measures, client awareness-building, and underlying digital innovation are critical steps to drive green finance adoption in Bangladesh to achieve sustainable development goals.

Integration and Triangulation of Findings

The methodology in this paper adopts a multi-level approach and uses both quantitative and qualitative research techniques to reveal the drivers and the barriers and opportunities underpinning the emergence of green finance in Bangladesh. Qualitative data collected from semi-structured interviews is instrumental in this sense as it reveals the background and introduces the perspectives of the participants which help explain trends drawn from the statistical information analysis. The survey and interviews both illustrated that, both respondents and experts are of the opinion that harmonisation and

regulatory consistency is key for financial institutions to be able to test innovative solutions with confidence. There was widespread recognition that novel green financial products, such as green bonds and sustainability linked loans, as well as efforts to diversify the range of products available, are needed to respond to the market need. Difficulty in building industry capacity was cited as one of the most significant obstacles and examples included the general lack of knowledge among clients and limited capabilities and familiarity among financial professionals, which would require specific outreach and training to bridge the gap. While quantitative findings showed only a little statistical interaction between financial technology ventures and green digital solutions adoption, qualitative data suggested such technological innovation is beginning to yield more efficient and cost-effective processes for large banks, and thus means FinTech will become increasingly influential.

CONCLUSION

The paper analysed the opportunities and challenges for green finance acceleration in climate vulnerable Bangladesh. Factors cited as mandating contributing are standardization and financial incentives, however, other gaps were found. Policies were not implemented that were tough, consistent, and enforceable. Lack of knowledge, weak institutions and limited use of FinTech further retarded progress. By identifying the key factors to local decision making, the research very clearly illustrated how regulation can be better tuned to banks, more rewarding, and more inclusive. The results underline the critical need for enforceable real world regulations, coupled with training and new digital tools to educate the public. Bangladesh needs to transition to a green economy by focusing on environmentally inimical, low emission practices through change in people behavior and industry. Future studies should also consider human behavior and sector-specific habits for the best optimization of policies for sustainability.

Recommendations

In this paper, we put forward measures on how green finance can be increased in Bangladesh.

First, clear rules that promote new concepts in banks and other financial institutions. The rules must be practical and be an impetus for constant recalculation.

Second, grant rewards to ecofriendly projects in the form of low interest rate loans, tax breaks, and prizes to banks and lenders. Provide special support for small banks and non-traditional lenders which are issuing green bonds and SDG-linked loans. Educate the public and the finance institution with awareness programs.

Third, Promote green finance friendly FinTech by providing testing grounds for innovation. At the same time, consider the use of electronic tools such as blockchain, data analysis, and new models of lending to make financial services more accessible, transparent and useful for non-wealthy communities.

Finally, enhance cross-organization co-ordination through a central database to monitor investments and impact on environment using a common process. Increase public private cooperation and a common global outlook to deliver new sustainable funds where it is most needed.

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