

## Chapter 6


# Challenges and Sustainability of Green Finance in the Tourism Industry: Evidence From Bangladesh

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### ABSTRACT

*A country's tourism sector is a vital component of economic growth. It can benefit from 'green finance' by raising the bar for service and increasing its sense of social responsibility. Banks and other non-bank financial entities worldwide have participated in green finance initiatives for developing the tourism industry. Based on reviews of secondary sources (such as academic papers, reports on sustainability from different economic and organizations that support the environment, and printed materials of the Bangladesh bank), this chapter aims to highlight the difficulties and potentials of green banking as well as the various types of green financing (such as green mortgages, green credit cards, and green bonds), as well as the advantages of green finance in the tourism sector in Bangladesh. In addition to describing existing green finance techniques in the tourism industry, this chapter identifies the primary obstacles to expanding such practices and offers potential solutions. Enhancing green finance practices within the tourism sector are highlighted in this chapter.*

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## **BACKGROUND**

Many banks and other financial intermediaries worldwide have recently decided to alter people's focus from maximization of profits to consideration of the broader community (Hailiang et al., 2023). Financial institutions (FIs) and banks offer cutting-edge "green" products covering a range of financial services supporting environmentally safe activities. These environmentally friendly financial institutions are sometimes known as "ethical banks," "socially responsible banks," or "sustainable banks." However, because these terms encompass generalized actions and ideas, people's precise meanings may vary (Gao et al., 2022). Green banking and financing contain various environmental causes, from stopping climate change to preventing water pollution, soil erosion, and species extinction. Degradation of the atmosphere includes things like air pollution, changes in the climate, rising levels of greenhouse gases, and depletion of the ozone layer. 'Green Financing/Banking' is an ideology that promotes businesses that minimize adverse effects on people, the environment, and profits (Ren et al., 2020). Banks and other financial institutions are crucial to each country's economic growth and prosperity. Financial institutions (FIs) that adopt green finance and banking practices raise both people's own and other businesses' social accountability. Financial institutions (FIs) and banks conduct most people's interactions with the money of others. However, people cannot shirk their responsibility to people transact with financial institutions (FIs), and banks that prioritize environmental sustainability need not sacrifice profits to do so. Institutions of financial intermediation (FIs) and banking institutions (banks) are for-profit businesses (Tvaronavičienė, 2023).

Every dollar a bank mobilizes comes with a cost. Therefore, profits are required to pay depositors and cover administrative and other expenses. The banking and financing sector may reject environmental policies that are too expensive to implement. Green finance in tourism refers to using financial resources to promote ecologically and socially responsible business activities. Investment decisions about the tourism industry can now include environmental, social, and governance (ESG) factors. Green financing in tourism aims to maximize the positive social and economic effects of tourism while reducing its adverse environmental impact. Green finance in tourism is a subset of sustainable tourism financing that prioritizes the planet's and its inhabitants' welfare (Shang et al., 2023). It entails keeping locations financially viable while supporting activities that improve people's ecological and social conditions. Hospitality organizations, financiers, and financial institutions can all benefit from this type of financing because it takes factors related to the environment, society, and governance, or ESG, into account. Investment in environmentally conscious infrastructure, funding for projects to lessen the tourism industry's environmental impact, and backing efforts that put the well-being of local people first are all examples of the processes and approaches that make up "green finance" in the tourism industry. It promotes eco-friendly behavior by advocating for changes that result in less waste, less energy use, and less pollution.

## **INTRODUCTION**

In order to reduce carbon emissions and their harmful health effects, build climate-resilient infrastructure for cities, and assure environmental sustainability, green finance is crucial for financing renewable and green energy projects (Taghizadeh-Hesary & Yoshino, 2020).

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