



Translation Towards Sustainable Investing Within Dutch Commercial Banks

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Background

As per UNACTD, a funding gap of \$2.5-3 exists in achieving the SDGs, in this regard FIs like Banks, which provide a variety of services like lending, wealth management, advisory, etc play an important role in bridging this gap. Therefore, SI is an important focus area for banks to engage their clients in. **However, there is a perception of a trade-off between the sustainability outcomes vs the financial outcomes. Banks, therefore, play a central role in helping overcome this perception through a process called as translation.**

Objective

This research compared the approaches adopted by a sustainable bank versus a traditional bank in mainstreaming SI into the financial industry. By applying the theory on translation and organizational logics, **the study proposes a framework consisting of the categories: - intentionality, risk assessment & management, networking and strategic communication**

Introduction

The topic of SI is still in an exploratory stage; more so in the case of commercial banks. Therefore, this study answers the following research question: - "how can commercial banking institutions help translate SI into mainstream of the financial industry?" Based on a comparative case study approach, a theoretical framework will be provided based extensive literature review on the topic of SI to answer the question. The framework will also compare the approaches adopted by both banks based on data collected from interviews of employees within the SI practice at both banks and relevant documents such as policy and strategy related documents.

Methods

The comparative case study was performed on the SI practice at both banks based on the framework shown in Fig 1.

The data was collected in the form of semi-structured interviews of employees engaged in SI.

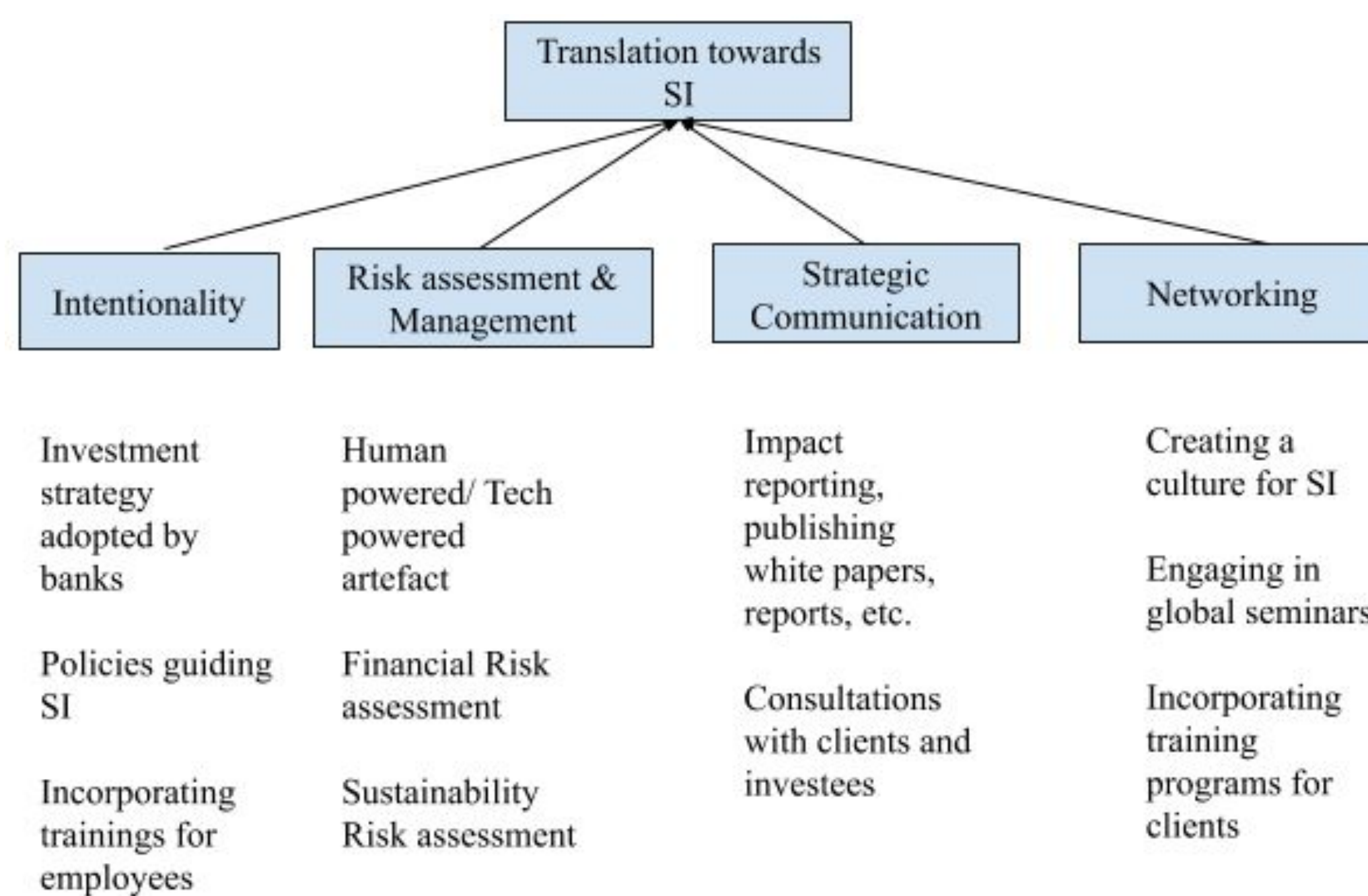


Figure-1 Presents the criteria for translation.towards SI and lists activities under each criteria based on theoretical findings.

Methods

Validity was tested through response validation by summarizing the findings at the end of the interview and getting it validated by the participants. Further, the **findings were triangulated** by referring to publicly available documents such as policy and strategy documents and academic publications relevant to the topic of SI and commercial banks.

Results

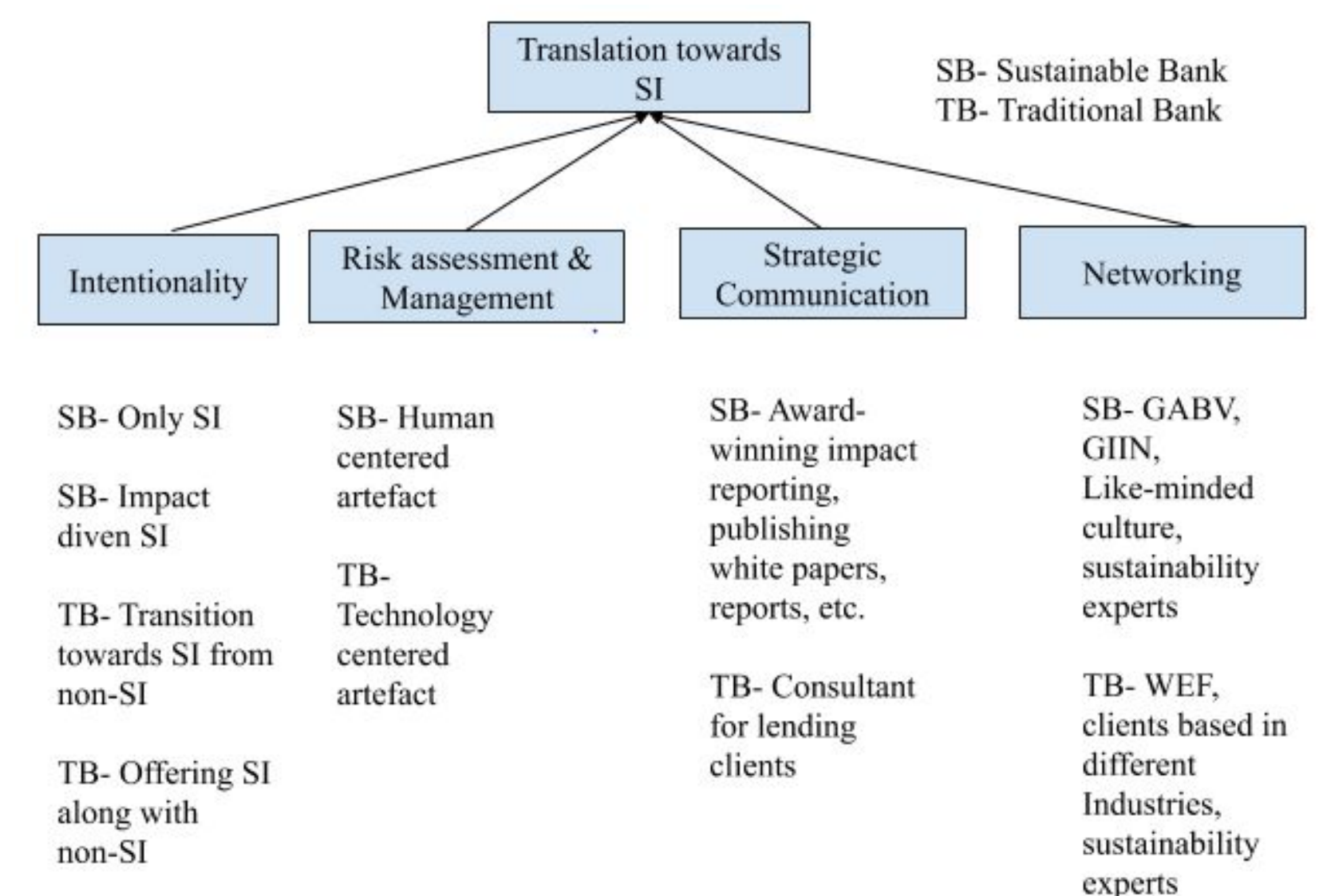


Figure-2 Presents the findings in a table comparing activities under each category at both banks.

- At the TB they have a unique lending scheme, which links the sustainability performance of the lendee to the interest payable
- The SB has kept inclusivity in mind and created SI products for a broad range of customers ranging from middle income to big institutional investors
- The SB's SI products are widely sold by other banks and FI's, even by the TB.
- Both banks have high-level training programs related to sustainability and SI for clients and internal employees. However, there wasn't any role specific training programs with regards to SI.
- The response around the trade-off was mixed, some of them claimed there wasn't any trade-offs, while a few claimed that management fees could contribute to a trade-off.

Conclusions

- Collaborative effort must go into creating rigorous standards for SI to avoid crowding of investors.
- Role- specific training could help in fast-tracking the translation.
- Technology based risk assessment tools could be useful. However, since SI is still at an explorative stage, human driven risk assessment, provides extra attention to detail.
- The framework suggested could be used to extend the study to other banks irrespective of the geographical location of banks.