

If not for profit,
for what and how?

S O C I A L
E N T E R P R I S E

Sustainable Banking – History and Current Developments

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INTRODUCTION

In this paper we will give an overview about the history of ethical, socially responsible and sustainable banking (see Figure 1). Thus it will not provide a general historical overview about banking and finance but concentrate on sustainable, socially responsible or ethical banking. Let us explain why we present some specific events in this paper. The overview starts with the foundation of the first banks in Italy in the 16th century. These banks were founded to guarantee financial flows between those that could provide capital and those that needed capital to start or to conduct a business. They were a type of community banks or credit unions and therefore a model for modern sustainable or ethical banks, financial cooperatives and credit unions.

We will have a look on the credit unions that were founded in the 19th century including financial cooperatives. Again they played and still play the role of a financial intermediary in the community and provide especially small and medium sized enterprises that are the backbone of nearly every economy with capital. Therefore they laid the foundation for modern commercial lending. Another reason to highlight credit unions and financial cooperatives is that they base on criteria that were used as sustainability criteria later. These are amongst others strong community relations, democratic decision making or supporting local economies.

Following the political disturbances in the 1960s and first discussions about environmental and social responsibilities of business the first ethical banks were founded in the 1970s. They wanted to re-integrate ethics into the financial business and to avoid business practices such as financing dictatorial regimes like the South-African Apartheid regime. They used some of the principles of the credit unions and co-operatives but added an ethical perspective to their business. With increasing energy prices on the one hand and new environmental regulations on the other hand, banks started to manage their energy and water use and their emissions as well. Because of higher energy and waste management prices it was worthwhile for a service sector as well to be eco-efficient in order to reduce costs. At about the same time new environmental regulations influenced the responsibility of business for its environmental impact. This implicated risks for the financial sector as a commercial lender and investor as well.

After mainly managing costs and risks connected with environmental issues the financial sector began to explore business opportunities connected with sustainable development as well. Thus in the beginning of the 1990 the first sustainability mutual funds, indices and other financial products and services were launched. Since then their market share is increasing. They changed the landscape of financial products and services as they re-integrated non-financial issues like the environment or sustainability into financial decision making processes and product development. Another event that influenced the financial sector was the launch of the Kyoto Protocol on climate change mitigation. Because financial instruments were needed to reduce carbon emissions, the financial sector engaged in creating products and services around carbon reduction, carbon offsets and financing projects under the Kyoto Protocol mechanism.

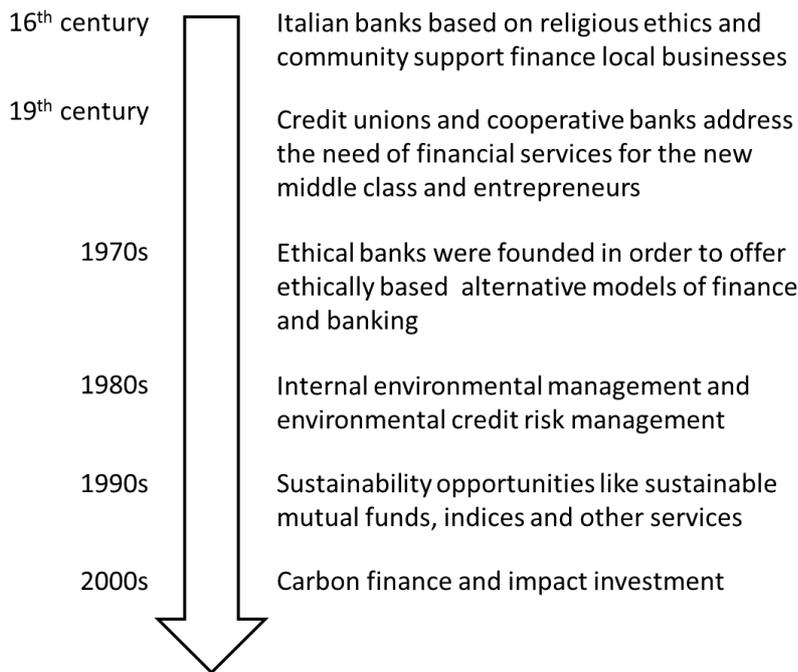


Figure 1: The History of Sustainable Banking

Furthermore we will describe present developments that can be seen as milestones in sustainable banking. They are less about the foundation of new types of banks but about industry initiatives to integrate sustainability issues into the financial sector. These were the United Nations Environmental Program Financial Initiative (UNEP FI) that took environmental and sustainability considerations into account in the banking business. It was one of the first initiatives of a non-polluting sector to take environmental issues into account. Ten years after the foundation of UNEP FI the Global Reporting Initiative Financial Sector Supplement was created that was the first one that tried to standardize sustainability reporting of the financial sector. The Equator Principles (EP) and the Principles for Responsible Investment (PRI) were a next step on the ladder to sustainability in regard of guidelines for subgroups of the financial sector. Since especially the credit business was one of the drivers for UNEP FI, project finance and institutional investment is in the core of EP and PRI. The latest developments are about changing the view from managing environmental, social or sustainability risks into creating positive impacts on sustainable development by using financial products and services. This new view is reflected in the Global Impact Investment Network (GIIN) and in the Global Alliance for Banking on Values (GABV) that are both emphasising the positive role that the financial industry could play in fostering sustainable development.

The following sections will describe the historical development of sustainable banking. We will start with early developments and the foundation of the first banks. The next section describes credit unions and financial cooperatives followed by the presentation of 20th and 21st century sustainable banking. The paper is closed by an overview about the most important financial sector sustainability initiatives and conclusions.

THE BEGINNING - EARLY DEVELOPMENTS IN SUSTAINABLE BANKING

The history of banking and money can be traced back to the ancient world. Merchants made loans to farmers and traders that carried goods between cities. In ancient Greece and in the Roman Empire lenders were usually based in temples. During this time new banking businesses developed: accepting deposits and changing money. Similar developments took place in China and India.

Modern banking, the way it is understood to date, started in Italy in the medieval. The first banks were intermediaries linking those with money with others who needed money to invest in their business. As these banks acted regionally they were relatively similar to regional credit unions as we know them today. At this time religious ethics, the environment and local community provided the main framework for both life and economy (de Clerck, 2010) and therefore influence businesses and the financial sector as well. An ethical perspective was already existent as the prevention of usury was an important reason for the foundation of banks at this time¹. Religious ethics set clear rules on money lending and interests and some banks even set a cap on interest rates because of ethical reasons. Thus, to justify money lending and interests ethical guidelines were developed. For instance, banks should only lend money if the borrower works hard, acts responsibly and efficient and takes some risks (Milano, 2011). At this time many banks were founded on the basis of donations and charitable contributions that followed ethical considerations as well. Lending money for luxury expenditures was not allowed for most of the banks and was mainly the business of private 'loan sharks'. Thus already in the 16th century the bank Monte di Pieta summarized its guidelines that read nearly like some 21st century corporate social responsibility principles. Monte di Pieta's guidelines are (Milano, 2011):

- Closing regional links by lending primarily to borrowers from the local community
- Granting loans in proportion to the collateral that is offered by the borrower
- High creditworthiness of the borrowers
- Engaging in local social activities
- Providing interests for deposits
- Lending to public bodies in times of crises
- Promoting mortgages
- Lending to women
- Providing treasury functions for local social institutions.

As already mentioned these are not CSR guidelines of modern banks or credit unions but of one of the biggest banks operating in the 16th century. In contrast to present strategies in the financial sector that mainly base on the creation of shareholder value banks like Monte di Pieta were founded for ethical reasons. They were alternatives to private lenders or loan sharks that lent money only because of profit generation. These banks, having strong ties to the Catholic Church at this time, implemented ethics and moral in the financial sector. 400 years later microfinance institutions were founded because of similar reasons. They wanted to be an alternative to loans shark and private lenders in developing countries and provide local businesses with capital.

COOPERATIVES AND CREDIT UNIONS

During the industrial revolution credit unions and cooperative banks arose in the second half of the 18th century. Their main clientele was the new middle class and lower income classes arising from the industrial revolution. Credit unions collected savings as capital and channelled this capital into local entrepreneurial initiatives to support local economic development. These credit and savings union were not only founded in bigger cities in Europe but in North-America as well. Thus in the US the first savings bank was opened in 1816 (Milano, 2011). In addition to the intermediary function between savers and borrowers credit and savings union emphasised the need to educate their members in financial literacy as well, an issue that comes more and more into the focus again with the introduction of modern financial products and services and the wide dissemination of credit cards. Thus in 2002 the US Federal Reserve defined its role with respect to financial literacy as follows.

¹ For a detailed overview on the beginning of modern banking and ethical banking see Milano, R. (2011). Social banking: a brief history. In O. Weber & S. Remer (Eds.), *Social Banks and the Future of Sustainable Finance* (Vol. 64, pp. 15-47). New York, NY: Routledge.

Recognizing the importance of educated and informed consumers to the operation of efficient markets, the Federal Reserve has been an active provider of economic literacy materials to help students and the public better understand the U.S. economy and the role of the Federal Reserve. Each of the twelve Federal Reserve Banks supports this objective through a wide variety of education, partnerships, publications, learning tools, and student challenge contests. (Braunstein & Welch, 2002, p. 449)

To date according to the World Council of Credit Unions globally 53,000 credit unions exist penetrating 7.5 percent of potential clients and managing \$ 1460 billion of assets and providing \$ 960 billion of loans (World Council of Credit Unions, 2011).

In contrast to the urban centered credit unions in rural areas cooperative banks were founded in order to fight usury and to enable savings and loans. These cooperatives often offered and still offer insurance as well. In contrast to credit unions that often were and still are partly under public law, cooperatives consist of individual members. Usually cooperatives follow these specific guidelines:

- In contrast to shareholders each member has one vote regardless of the value or number of shares held
- A limit on the amount of shares or capital is set
- The cooperative should consist of at least 200 members
- The membership does not only base on financial issues but on social issues as well.

Let us illustrate the historical development of financial cooperatives using the example of the Canadian Desjardins, the 6th largest financial cooperative globally (see Box 1).

Box 1: Desjardin Group: One of the biggest financial cooperatives in the World

At the end of the 19th century living conditions in the St. Lawrence Valley in Quebec were hard because of poor harvests. They were not better in the cities as well where many farmers migrated in the hope to find labour. Furthermore, farmers and working class people did not have access to loans for fair interest rates. They were underbanked like many people especially in developing countries still are. Having heard about these problems Alphonse Desjardins started a project that allowed the working class to become their own bankers. The *caisse populaire* was founded in 1900. Their goals were:

- "To generalize savings and provide for such unplanned events as unemployment and illness.
- To use those savings to constitute a system of popular credit, accessible to the workers, to farmers and to any honest, hard-working person.
- To promote the consolidation of family and rural businesses.
- To eradicate the ravages of usury.
- To initiate community leaders to economic organization and business.
- To improve the material conditions of the working class and contribute to the progress of French Canada." (www.desjardins.com)

These goals are still the same more than 100 years later.

In the 1940s the group diversified and added the insurance business to its business portfolio to be able to offer products that protect the property of their members and to offer life insurance as well. The group's assets increased to more than \$ billion in the 1960s and to \$44 billion in the 1990s. However, Desjardins still strives to remain a democratic, cooperative and popular institution and to distinguish from other financial institution.

Why did we present credit unions and financial cooperatives in this paper? At first they are a part of the financial sector that conducts sustainable banking since a long time. Their business and organizational structure base on community relations, on supporting local businesses and on solidarity. Second, they are a model for the social banks and microfinance institutions that arose in

the 1970. Third, some of them were early adapters to modern sustainable finance like socially responsible investments, impact investment or clean-tech financing.

CURRENT DEVELOPMENTS

After the phase of strong credit unions and cooperatives big and often transnational banks started to control the financial industry. They based on the concept that successful business would create wealth for the society and the individual. Therefore concepts like community finance or local business was not involved in the core business anymore. While in some countries credit unions and financial cooperative still play an important role in commercial lending, big banks conducting business globally influenced the financial sector. The beginning of the globalization in the 1970s supported this trend. But these banks were criticized for their way of doing business as well. With respect to their international business some of them were criticized for doing business with dictatorial governments or because of money laundering. Generally the sector was criticized for creating financial products that did not support the real economy but were only used to create financial returns inside the financial sector. On this background ethical banks appeared at the end of the 1970s. They wanted to use capital as a means and not an end in order to reconnect the financial sector with the real economy and to base it on ethical concepts. However, these banks were newly founded and are still – about 40 years later – relatively small compared to conventional banks and credit unions. To date, the Global Alliance for Banking on Values, the only global association of ethical banks, comprises of 13 banks. With total assets of \$ 25.9 billion the total balance sum of all the banks in the group is still relatively small though it increased significantly especially after the financial crisis in 2007. During this time a significant number of clients changed from conventional, global banks to credit unions, cooperatives and ethical banks.

In addition to social banks impact investing is another niche phenomenon that attracts increasing attention since some years. Impact investors make investments that generate social and environmental value as well as financial return. The concept is based on the blended return and on the shared value proposition that was published in Harvard Business Review by Porter and Kramer (2011). The concept is defined as:

“...policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates, Shared value creation focuses on identifying and expanding the connections between societal and economic progress” (p. 66).

In contrast to social banking impact investing is done by both specialized impact investors and conventional financial institutions.

But how did sustainable banking develop in the conventional financial sector? Figure 2 shows the main aspects of present sustainable banking and their development over time.



Figure 2: Main aspects of sustainable banking

The first activities in the financial sector concentrated on the management of the environmental impact of the banks' operations. Motivated by increasing energy prices and costs for waste and emissions banks introduced environmental management and measurement systems as well as environmental reporting to reduce their energy and water use and their emissions. Cost savings on the one hand and reputation and leading by example was another motivation. Increasing energy prices drove even the financial industry as a service sector to reduce energy costs of their buildings

and offices. Furthermore, they tried to lead by example to present the business case of saving costs by reducing the use of energy and of emissions to potential clients and especially commercial borrowers.

In the 1980s the introduction of CERCLA and Superfund regulated liabilities with regard to contaminated sites. Similar regulations with respect to soil, water and air pollution were introduced in Europe at that time. This changes the relation between the financial sector and the environment significantly and made environmental impacts of borrowers a credit risk. In cases in which lenders had used sites as collateral the value of the collateral could be diminished by contaminations and by clean-up costs. This could happen in cases of credit defaults. Usually lenders try and save their outstanding loans through the proceeds from disposal of the collateral. However, the proceeds of contaminated sites were usually lower than estimated in times when the loan was granted because environmental assessments of loans were not conducted. Additionally lenders could be held liable for the clean-up in some cases as well. Over and above cases existed in which credit defaults of commercial lenders were caused by environmental risks or because of new environmental regulations. In order to manage these types of risks lenders started to integrate environmental issues into credit risk management processes in order to improve their credit risk predictions. This was one of the first steps of conventional banks into environmental finance. The main effort was in environmental risk management and risk avoidance that resulted in a better credit risk management.

Historically, the next step after managing environmental risks was using environmental and social issues as an opportunity to create new products and services and to foster sustainable development. Following the publication of the Brundtland Report on sustainable development by the United Nations the financial sector started to investigate its relation to sustainable development. Amongst others, this resulted in the book financing change by Schmidheiny and Zorraquin (1996) that outlined how the financial sector could support sustainable development through financial products and services. Based on the content of this important book, financial institutions started to look for opportunities with regard to environmental and social issues. Environmental, sustainable, or socially responsible investment products and services began to penetrate the market. The Dow Jones Sustainability Index, a global index that takes sustainability issues into account, was initiated and mutual funds based on principles of socially responsible investment were issued. Since then other sustainability indexes like FTSE4Good, the Jantzi Social Index, Hang Seng Corporate Sustainability Index or STOXX Sustainability Indices appeared.

With respect to socially responsible investment, since that time nearly all fund managers offer socially responsible, ethical or environmental mutual fund products. The largest eight SRI funds manage assets higher than \$ 1 billion. These are the Parnassus Equity Income Fund with more than \$ 4 billion assets under management Calvert Equity Portfolio with more than \$ 2 billion under management, Pax World Balanced Fund, Neuberger Berman Socially Responsible Investment Fund, and Ariel Fund with more than \$ 1.5 billion under management and Ariel Appreciation Fund, TIAA-CREF Social Choice Equity Premier, and CRA Qualified Investment with more than \$ 1 billion assets under management at the end of February 2012 (see www.ussif.org).

Another significant milestone of sustainable finance was the launch of the Kyoto Protocol in 1997. From then on the financial sector started to develop products and services related to CO₂ emissions, Kyoto Protocol Mechanisms, CO₂ emission trading and carbon offsets. Financial institutions invest in clean development mechanism (CDM) or Joint Implementation projects (JI) that are based on the Kyoto protocol. A McKinsey study estimated the market value of carbon trades in 2007 as \$ 85 billion and predicted that the trading volume could grow to \$ 2.6 trillion by 2020 (Twining, 2008). As products and services loans or investments in JI or CDM projects, trading and brokerage of CO₂ emission certificates as well as CO₂ funds, options, or derivatives found entrance into the financial market. One of the best-known financial products related to mitigating carbon emissions is the Prototype Carbon Fund (PCF). It was established in 1999 by the World Banks. With a fund capital of \$220 million and 31 Megatonnes CO₂ equivalents under contract this fund is open to governments, financial service institutions and companies, for instance from the energy sector. The fund invests in JI and CDM projects. Its payout can be financial or CO₂ reductions certificates that maybe conversed

into financial returns or can be used to meet the own CO₂ targets. However, the future development of some of the carbon related products and services are uncertain as the Kyoto Protocol will phase-out in the near future.

MICROFINANCE

While the historical development described above took mainly place in the conventional financial sector, microfinance is usually conducted by specialized institutions. A significant driver for microfinance – a service more related to the social aspect of sustainable finance – was the Nobel Peace Prize for the founder of Grameen Bank Muhammad Yunus. Grameen is one of the most well-known microfinance institutions. It operates in Bangladesh and uses financial services like microloans to alleviate poverty. It tries to serve the part of the people that are underbanked and do not have access to financial services. Microcredit and other products should help borrowers to be able to make their own living and to leave the dependency from charity and donations. The motivation for founding a microfinance institution is well-described in Yunus' Nobel lecture, a part of which is presented in Box 2.

Box 2: Muhammad Yunus' motivation to start with microfinance (Yunus, 2006)

I became involved in the poverty issue not as a policymaker or a researcher. I became involved because poverty was all around me, and I could not turn away from it. In 1974, I found it difficult to teach elegant theories of economics in the university classroom, in the backdrop of a terrible famine in Bangladesh. Suddenly, I felt the emptiness of those theories in the face of crushing hunger and poverty. I wanted to do something immediate to help people around me, even if it was just one human being, to get through another day with a little more ease. That brought me face to face with poor people's struggle to find the tiniest amounts of money to support their efforts to eke out a living. I was shocked to discover a woman in the village, borrowing less than a dollar from the money-lender, on the condition that he would have the exclusive right to buy all she produces at the price he decides. This, to me, was a way of recruiting slave labor.

I decided to make a list of the victims of this money-lending "business" in the village next door to our campus.

When my list was done, it had the names of 42 victims who borrowed a total amount of US \$27. I offered US \$27 from my own pocket to get these victims out of the clutches of those money-lenders. The excitement that was created among the people by this small action got me further involved in it. If I could make so many people so happy with such a tiny amount of money, why not do more of it?

That is what I have been trying to do ever since. The first thing I did was to try to persuade the bank located in the campus to lend money to the poor. But that did not work. The bank said that the poor were not creditworthy. After all my efforts, over several months, failed I offered to become a guarantor for the loans to the poor. I was stunned by the result. The poor paid back their loans, on time, every time! But still I kept confronting difficulties in expanding the program through the existing banks. That was when I decided to create a separate bank for the poor, and in 1983, I finally succeeded in doing that. I named it Grameen Bank or Village bank.

Today, Grameen Bank gives loans to nearly 7.0 million poor people, 97 per cent of whom are women, in 73,000 villages in Bangladesh. Grameen Bank gives collateral-free income generating, housing, student and micro-enterprise loans to the poor families and offers a host of attractive savings, pension funds and insurance products for its members. Since it introduced them in 1984, housing loans have been used to construct 640,000 houses. The legal ownership of these houses belongs to the women themselves. We focused on women because we found giving loans to women always brought more benefits to the family.

Two main motivations seemed to be decisive for conducting microfinance. The first motivator was poverty alleviation, one of the millennium goals of the year 2000 that strives to reduce poverty by half until 2015. The second motivator was it seemed that traditional economic models did not help to

alleviate poverty and to guarantee a living for poorer people and therefore alternative models had to be implemented.

Since some years the microfinance market is growing significantly. In 2010 the total loan portfolio of the more than 1200 members of the microfinance platform mixmarket.org was higher than \$ 72 billion and in the meantime microfinance is seen as a significant part of development activities.

SUSTAINABILITY INITIATIVES AND ASSOCIATIONS

There are some major financial sector sustainability initiatives and guidelines that try and link finance with environmental, social, and sustainability issues. Those that are listed here marked significant changes and innovation in the field of sustainable finance. The initiatives, the year they were launched and the number of members are presented in Table 1.

Table 1: Financial Sustainability Initiatives

Financial Initiative	Year of Launch	Number of Members in 2012
United Nations Environmental Program Financial Initiative	1992	200
Global Reporting Initiative Financial Services Sector Supplement	2002	175 using the financial sector supplement in 2011
Equator Principles	2003	76
Principles for Responsible Investment	2006	1017
Global Impact Investing Network	2007	46
Global Alliance for Banking on Values	2008	22

We want to describe the different associations and their goals in the following section:

UNEPFI: The United Nations Environmental Program Financial Initiative was launched in 1992 in order to develop and promote linkages between sustainability and financial performance. To date more than 200 financial institutions are signatories of UNEPFI. During regular meetings and roundtables important products and services like environmental credit risk management, systems to improve the internal environmental management and socially responsible investment were developed and discussed. In addition UNEP FI initiated important research studies such as the so-called Freshfields, Bruckhaus, Deringer Report on a legal framework for integrating environmental, social and governance (ESG) issues into institutional investment. This report stated the integration of ESG issues is not contradictory to the fiduciary duty of institutional investors but rather a part of it (Watchman, 2005). This result had significant impact on the integration of ESG issues in institutional investing.

The Global Reporting Initiative (GRI) Financial Services Sector Supplement was launched as a pilot version in 2002 and as a full version in 2006. It provides a sector specific sustainability reporting guideline integrated into the GRI guidelines. This framework was created by a group of industry representatives and stakeholder and integrates different reporting concepts and systems, such as the VfU system for internal sustainability assessment and reporting into a globally accepted framework. In 2011 there were 175 financial institutions that reported their sustainability performance using the financial sector supplement in addition to the general GRI framework. Generally the supplement contributes to a higher transparency with regard to the sustainability performance of members of the financial sector.

The Equator Principles (EP) for project finance were launched in June 2003. Initially they were adopted by ten global financial institutions: ABN AMRO Bank, N.V., Barclays plc, Citi, Crédit Lyonnais, Credit Suisse First Boston, HVB Group, Rabobank Group, The Royal Bank of Scotland, WestLB, and Westpac Banking Corporation. 76 institutions have adopted the principles until 2012. They acknowledge that environmental and social issues of projects should be assessed to avoid

unintended negative impacts of projects on the environment and communities. EP is a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions and consists of ten principles. They base on environmental assessment principles of the World Bank and the International Finance Corporation (IFC) and developed standards for environmental and social assessments in project finance.

The Principles for Responsible Investment (PRI) were launched in 2006 and have 1017 members in 2012. They are a network of international investors working together to put the principles, that integrate ESG issues into institutional investment, into practice. In addition there is the PRI academic network conducting research on responsible investing in the institutional sector. Members of the PRI commit that

- they will incorporate ESG issues into investment analyses and decision-making processes,
- they will be active owners and incorporate ESG issues into their ownership policies and practices,
- they will seek appropriate disclosure on ESG issues by the entities in which we invest,
- they will promote acceptance and implementation of the Principles within the investment industry, and
- they report on their activities and progress towards implementing the principles.

Together with the Freshfields, Bruckhaus, Deringer Report, PRI is one of the main drivers for integrating EGS issues into institutional investment.

The Global Impact Investing Network (GIIN) was launched in 2007. Its more than 40 members are dedicated to increasing the scale and effectiveness of impact investing in order to solve social or environmental challenges while generating financial returns. A major component of the network is the development of impact reporting and investment standards. The network contributes significantly to promoting impact investment and to developing systems and indicators to measure the impact of impact investing.

The Global Alliance for Banking on Values (GABV) was founded in 2008. The 14 members strive to find global solutions to international problems and to promote a positive, viable alternative to the current financial system. Member should be committed to social banking and the triple bottom line of people, planet and profit. In addition to promoting social finance and organizing regular meetings the association supports research on sustainable banking and on social finance.

The initiatives provide different frameworks for the financial sector to improve its sustainability. They are voluntary and try to deal with different aspects of sustainability in the financial sector like credit risks, project finance, institutional investing and more. Therefore they represent the history of modern sustainable finance as well starting with environmental risk management that was a main issue for UNEPFI. Consequently the more recent initiatives like GIIN or GABV emphasise opportunities and the impact or sustainable finance. The GRI is an industry initiative that is not sector specific. However, the financial services sector supplement was created by a group of industry representatives and stakeholders from the financial sector. All of the reported initiative had and still have a significant impact on the development of sustainable banking.

CONCLUSIONS

The history of sustainable banking starts in the medieval with banks that were intermediaries between capital owners and businesses and were motivated by fostering the community. Sustainable banking by conventional financial service institutions appeared with the management of environmental risks that negatively affected financial institutions especially with regard to their credit risks. After this phase of risk management the financial sector took the business opportunities that are offered by integrating environmental and social issues into consideration as well. Sustainability became a business case in the financial sector. Financial institutions explored ways to influence sustainable development in a positive way and developed products and services taking sustainability issues into

account. Mutual retail funds, institutional products, for instance for pension plans and sustainable project finance guided by the Equator principles, are only an extract of products and services related to sustainability.

Banks and other financial institutions can learn from this development that the integration of sustainability issues into policies, strategies, products and services of the financial industry makes business sense as well. Those institutions that were early adaptors of sustainable banking could avoid financial risks resulting from environmental or social impacts and were able to create business opportunities as well.

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