"The banking sector’s contribution to sustainable growth – risk assessment, sustainable finance, voluntary initiatives and regulations“ by Olaf Weber

Discussion by

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Questions:

- How do financial intermediaries affect sustainable development?
- What are impacts of green finance products?
- How to regulate in order to enable the financial sector to invest more in green economy?

Main Results

- Financial intermediaries have essential influence on sustainable development through financing activities

- Although there are findings indicating that investing in green products are beneficial to financial sector, they are still a small part of finance industry.

- More regulations and their effective implementations are required not only domestically but also globally in order to achieve more green investment that will both benefit sustainable growth and financial stability.

Trends

- Sustainability Indices
  - Dow Jones Sustainability Index
  - FTSE for Good

- Voluntary Codes of Conducts
  - UNEP Financial Initiative
  - Equator Principles
  - UNPRI (Principles for Responsible Investing)

- Country Examples
  - Bangladesh, Brazil, Colombia, China,
  - Indonesia, Mongolia, Nigeria

Comments

- Only Bangladesh, China and Nigeria examined
  - The country examples of Brazil, Colombia, Indonesia and Mongolia should also be explored in the paper.

- It is claimed that regulations are mainly in developing countries since
  i. Financial sector is easier to control
  ii. Regulations are easier to be enforced
  iii. External financiers might influence regulators to guarantee the sustainable investment

- Other explanations might be
  - The concept of regulation is less accepted publicly in developed countries
  - Lobby power of financial sector might be more in developed countries

Comments

- It is claimed that larger banks are better in sustainability performance
    - Explained by they have capacity to implement and report
    - Other explanation may be they have large amount of money and they can invest some part of it in E&S projects but smaller banks have scarce sources

- It is claimed that a positive correlation between financial sector sustainability performance and financial performance
    - It may result from E&S investments financed by larger banks and larger banks have usually better financial performance
    - More research is needed

- Guidelines increase green lending?
    - Increase in green lending may result more guidelines

Conclusion

- Very interesting and important issue
- Connection between sustainable development and financial intermediaries
  - Indirect impact
- Investing in green products are beneficial to financial sector
  - More research is needed

Conclusion

- Design of regulations
    - Voluntary vs. Obligatory
    - Developed by financial sector vs. by regulators

- Effective regulations and implementations
    - Not only domestically
    - But also globally
    - Addressing the integration of sustainability issues into financial regulations in G20.