



What constitutes a Sustainable Banking Business Model?

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Extended abstract

The 2008 financial crisis, caused by expansionary monetary policies, unsustainable business models (De Meo et al., 2016), social irresponsibility and lack of transparency (Benedikter, 2011), shook the finance sector and its stakeholders to the core and left the stakeholders questioning the purpose of and the work done by finance organizations in general, and banks specifically (Nosratabadi et al., 2020). Despite the distrust from stakeholders to the finance sector, the placement and the role of the finance sector in today's societies is unquestionable, especially when it comes to achieve sustainable development agendas (Aracil et al., 2021; Forcedell & Aracil, 2017). As an example, if the 17 Sustainability Development Goals (SDGs) are to be accomplished, they will require capital flow, investments and general redistribution of money and wealth (Avrampou et al., 2019), which lies at the heart of the finance sector. This continuous stakeholder distrust and the increasing societal and environmental need to act now, is forcing banks to reorganize their strategies and rethink their business models (De Meo et al., 2016).

The research on sustainable business models in the finance sector is burgeoning. However, literature on sustainable banking business models appears to be scarce. Sustainability research in the finance sector has mainly focused on topics such as (i) sustainable/responsible investments or Impact Investing (Agrawal & Hockerts, 2021; Bril, Kell & Rasche, 2021), (ii) Fintech (Pizzi, Corbo & Caputo, 2021) and (iii) Sustainable Banking/Finance in general (Lopez et al., 2020). More focus on business models in the finance sector, especially how business models can contribute to achieving social, environment and economic values (Stubbs & Cocklin, 2008; Nosratabadi et al., 2020) is therefore needed.

This review paper aims to make contributions to the business model literature through the advancement of knowledge about sustainable business models the banking sector, which, as has been established, is of high importance to the future achievements of sustainability agendas. The study will furthermore contribute to a gap in the literature regarding sectorial knowledge and business model innovation, identified by Bocken and Short (2021), by delving into the banking sector and the sustainable business model aspect of the sector. This leads to the article's research question: *What constitutes a sustainable banking business model and what can the banking sector learn from such a conceptual framework on their path to sustainability?*

To answer the research questions, this study will analyse the literature on sustainable banking business models and understand what the concepts have in common, both in terms of business model construction and with focus on sustainability. Due to the

narrow focus of the paper the literature search, conducted on two platforms, Web of Science (WoS) and Scopus, used the following search string: ALL FIELDS (“sustainab* bank*”). Other input types were experimented with, such as “sustainab* bank* business model*” without any success. Hence, the choice to go with a broader search string was taken. The WoS search identified 136 articles. The search was further narrowed down to English language and Articles. The WoS articles were published in the timeframe from 2010 – 2023. Furthermore, the search was refined to the WoS categories of “business, business finance, management, sociology, and social science interdisciplinary”. That further narrowed the WoS article number to 58. To strengthen the likelihood that articles had a business model angle, a search within the 58 articles with “business model” search word was further conducted, which narrowed the article number down to one. Scopus search identified 1,351 articles with the main search string. The search was further narrowed down, following the same criteria as WoS, and the final number of articles were 611. Same search of “business model” within the pool of 611 articles narrowed the article number down to 137 articles. With the total pool of 138 articles, the next important step is to go through abstracts to exclude irrelevant articles. The exclusion process narrowed the article pool down to the final 61 papers to be included in the literature review. Main reasons for the exclusion of 77 articles were 1) despite the search string, the articles had no banking focus, 2) the papers did not touch upon all or some aspects of business models or 3) the papers had no sustainability angle.

It is clear from the initial literature search and analysis, that the banking sector is complex and diverse, which makes generalizations a challenge. Despite this

complexity, the sector has commonalities and common goals that is worth analysing. Furthermore, the initial search identifies that the literature does not fully agree on what a sustainable business model in the banking sector looks like, i.e. what a “business model” actually means in the banking sector. Articles range from focusing on sustainable business model archetypes (Yip and Bocken, 2018), to components of business models (Nosratabadi et al., 2020), to different types of banks that the literature has identified, such as *Retail banks, Investment Banks, and Diversified Banks* (Ayadi et al., 2021; De Meo et al., 2016). The initial literature search does however give an indication of what is to learn from this kind of review work. In table 1, both archetypes (Yip and Bocken, 2018) and components (Nosratabadi et al., 2020) are listed up to understand how they connect to each other. Some components are listed more than once as they play roles in more than one archetype.

Focus type	Archetype	BM components
Technological	<ol style="list-style-type: none"> 1. Maximize material and energy efficiency 2. Substitute with digital processes 	Resources, Technology, Business processes, Customer interface
Social	<ol style="list-style-type: none"> 3. Encourage sufficiency 4. Adopt a stewardship role 5. Inclusive value creation 	Resources, Value proposition, Core competencies
Organizational	<ol style="list-style-type: none"> 6. Repurpose for society/environment 7. Resilience in loan granting 8. Sustainable financial products 	Value proposition, Target customers, Customer interface, Partner networks, Resources, Core competencies, Financial aspects

TABLE 1: BUSINESS MODEL ARCHETYPES (YIP & BOCKEN, 2018) AND COMPONENTS (NOSRATABADI ET AL., 2020) OVERVIEW AND CORRELATION INTERPRETATIONS BY AUTHOR.

Next steps would be to understand how types of banks (retail, investment etc.) impact

and/or relate to the above-mentioned archetypes and components. Through this process, the aim is to develop a conceptual framework for a sustainable banking business model. When the initial conceptual framework has been designed, it would be valuable to compare it with already established sustainability business model frameworks to both identify the similarities and the differences, which will further help in the final development of the sustainable banking business model. As sustainable business models are all about values; value proposition, value creation, value capture and value deliver (Bocken, 2023), it will be important to see how the conceptual model includes these concepts. With this conceptual framework, the paper further aims to identify key managerial implications for banks to unpack their value as a sustainable organization and to further develop their sustainability agenda. Finally, the paper will suggest avenues for future research areas of sustainable business models and sustainable banking literature to advance the research in the respective fields.

Keywords

Sustainable business models, sustainable banking, banking business models, banking sector.

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