Project Demonstration & Documentation

Social Or Business Impact

Social Impact: Financial analysis of banks can have a significant social impact by identifying areas where the bank's operations or lending practices may be causing harm to vulnerable communities or perpetuating inequality. For example, a financial analysis might reveal that a bank is heavily invested in fossil fuel companies, contributing to climate change, or that the bank is disproportionately denying loans to minority-owned businesses, perpetuating economic discrimination.

Business Model/Impact: Financial analysis of banks can have a significant impact on the business operations of the bank itself and its competitors. For example, a financial analysis can help the bank identify areas where it is underperforming compared to its peers, such as in terms of profitability or asset quality. This information can then be used to develop strategies for improving the bank's performance, such as by reducing costs, increasing revenue, or improving risk management practices

*IMPACTS*

Although consistent reporting will help address risks of social- and green-washing it

can neither adequately reflect the highly embedded approach to social impact of values-

based financial institutions nor capture the strengths of this approach. Values-based

financial institutions set to offer financing that is additional to the market, that is, better than

the average in their context. The definition of additionality was clarified in coordination

with MFR, the rating company.

Additionality implies a constant aspiration to push the frontier further: the same

activity that brings additional impact today may not continue bringing additional impact

in 10 years’ time if progress is made in the general conditions and standards. The same

activity may be of additional impact in one country and not in another country where the

normal standards are higher.

The practise of classification of positive impact, both direct and indirect, varies according

to how strict the criteria of what qualifies as positive impact are. Practises reported

reflect the values-informed vision of the future, as well as challenges and resources as

conditions that define social impact for values-based financial institutions.

For direct impact values-based financial institutions distinguish between minimum

and sustainable. By direct minimum impact more than half of the respondents agree that

providing financial access to underserved populations counts. By direct sustainable impact

half agree that providing financial access to underserved populations and doing no significant

harm to the environment counts. Other sources of direct sustainable impact are

financing of SMEs that create and protect jobs while not significantly harming the environment. Underserved populations range from micro, small and medium entrepreneurs and

individuals with low or no access to healthcare, quality education and exposure to climate

risks. They may also refer to low-income clients in rural areas, unemployed, immigrants,

people with low levels of education, individuals with low quality standards of living, those

displaced, etc. Doing no harm at the level of individuals and SMEs means alignment with

national law and regulations, human rights protection, corruption free, activities that do

not impact the financial well-being of families, those that do not contribute to climate

change, pollution, deforestation, industrial toxic waste, or require remediation.

For indirect impact respondents distinguish between minimum and transformative.

Minimum indirect impact refers to activities that seek to address multiple and intersecting

challenges. Transformative indirect impact refers to financing of clients transforming their

business activities for sustainability and social impact and do not harm the environment.

Examples of transformative indirect impact include SME expansion from micro to small

and small to medium that create significant employment opportunities in the community

and have at least one positive environmental impact. Another example of transformative

indirect impact is financing for agricultural businesses that transform their irrigation systems away from current to solar powered systems