

The next frontier in finance: How financial institutions can partner with consumers to accelerate climate action

As the world looks to COP29 in Baku, Azerbaijan to advance the policies needed to deliver deep, rapid and sustained emission reductions to limit global warming to 1.5°C, finance is set to be a central focus. This “Finance COP” (as it has been dubbed) looks to establish a new framework aimed at closing the persistent gaps in climate finance, and will also be an opportunity to have critical discussions on the role of financial institutions in accelerating climate action.

Temps de lecture : minute

15 November 2024

Financial institutions are uniquely positioned to drive climate action by aligning their investments, operations, and strategies with the Paris Agreement. They also have an opportunity to use their reach and place at the centre of billions of daily transactions to empower the growing number of consumers who are looking for opportunities to do their part to take action on climate change.

Financial institutions as catalysts for climate action

In a recent Mastercard report, 80% of the public said that they want to live more sustainably in an effort to tackle climate change. Given the vital role financial institutions play in the everyday lives of individuals, what if

this unique position could be leveraged to multiply climate action across the globe?

If we look at 2023 alone, the global payments industry handled 3.4 trillion transactions, totalling \$1.8 quadrillion in value. This translates to 9.3 billion transactions every single day (\$4.9T). Now imagine if each transaction helped consumers understand the environmental impact of their purchase and that knowledge helped inform more sustainable purchasing practices going forward? What if on top of that, every transaction gave consumers an opportunity to contribute to meaningful projects that address climate change? Today, low-effort, high-reward technological solutions allow financial institutions to offer consumers a quick snapshot of the carbon footprint of their purchases, along with seamless opportunities to support impactful environmental projects—all within the familiar financial platforms they already use.

That is 9.3 billion daily opportunities to make a transaction count for something more. The financial institutions that recognise this opportunity and are prepared to be catalysts for change stand to win big. As a Bain & Company Study of 100,000 businesses demonstrated, companies committed to sustainability showed a positive correlation with improved financial performance. By working to align business practices with the Paris Agreement and using their vast reach to further catalyse climate action, financial institutions leading the change will future-proof their business.

Stepping up to meet consumer demand

Consumer demand underscores the need for this shift. Studies show that 70% of global consumers would choose a bank that prioritises purpose over profits, and 58% are willing to pay a premium for financial services that support environmental and community goals. By meeting these

expectations, financial institutions can position themselves as trusted leaders, building lasting loyalty and gaining a competitive edge in an increasingly purpose-driven market.

Far from being a “build it and they will come” scenario, the data also shows that consumers increasingly seek financial products that align with their environmental values. *With 50% of UK consumers* interested in taking out a sustainable banking product within the next two years, banks and PSPs have a powerful opportunity to step up and meet consumer demand by offering accessible products that empower their customers to positively impact the world around them. Evidence confirms the ‘say-do’ gap is closing, with providers of sustainable finance products experiencing rapid growth. For instance, Triodos Bank, a leader in the impact banking space, saw a 55% increase in net profit in 2023, rising to €77.2M and continued to grow by an additional 3.4% in early 2024. Similarly, Tandem Bank’s commitment to being the UK’s greener digital bank contributed to a 28.2% increase in net interest income, reaching £87.8M in 2023. These trends show that consumer demand for sustainable finance is translating into real financial growth for institutions ready to meet it.

To meet growing consumer demand for more sustainable options, financial institutions can introduce a range of sustainable finance products, from ‘green investment’ funds aligned with the Paris Agreement to savings accounts that channel a portion of interest to environmental initiatives. Loans and mortgages with favourable terms for ‘eco-friendly’ projects are another impactful option. Fintech companies are driving many of these innovations, creating valuable partnership opportunities for banks and payment providers to embed sustainability into everyday financial products and expand their impact.

As COP29 is underway, financial institutions must move beyond commitments and embrace actionable strategies. It is time for clear transition plans and meaningful action. Leading financial institutions

understand this, and those who want to ensure their business thrives will be looking for ways to go past regulatory requirements to shape the future of finance and harness the power of collaborative action. Being a lever for long-term impact is an opportunity financial institutions simply cannot afford to miss.

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