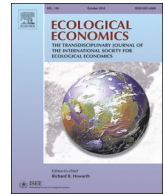




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ANALYSIS

Move your money? Sustainability Transitions in Regimes and Practices in the UK Retail Banking Sector

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ABSTRACT

We present and test a new conceptual framework for understanding sustainable transitions in co-evolutionary sociotechnical systems. We apply this in the first study of sustainable transitions in UK retail banking. This system has suffered recently from banking crises, and links to environmentally-sensitive industries such as fossil fuels. Sustainability-focused values-based banks are a potential solution, but have had little impact on mainstream banking systems. We aim to understand the constraints on a potential transition and how to overcome them. Our new approach identifies the intersections between transitions in regimes (using the multi-level perspective MLP) and transitions in practices (using social practice theory SPT), two competing conceptual frameworks in the literature. We ask: what are the intersections between transitions in the banking *regime* and banking *practices*, and how may critical points of constraint be unlocked to become points of opportunity, thereby aiding a transition to more sustainable banking systems? We present new empirical findings from a mixed-method case study of the UK banking sector and two values-based banks in particular. Interventions for growing sustainable banking are identified and we demonstrate the added-value of the combined approach through indicating strategies for unlocking the transformative potential of sustainable innovations.

1. Introduction

Transitions to sustainability require a fundamental shift in the way our macroeconomic banking, money and financial systems operate, yet to date this “cross-cutting distribution system” (Røpke, 2017: 149) has received little attention within ecological economics. Here we aim to address that knowledge gap by presenting a novel conceptual framework for understanding co-evolutionary sociotechnical change, and applying it to the study of banking system transitions. We thereby extend and deepen current perspectives on financial system transformation.

The UK banking sector has recently suffered multiple crises and become the subject of considerable debate. The biggest (systemically-important) banks were bailed out using public funds to prevent their failure during the 2008 financial crisis (FSB, 2015), calling the sector's long-term economic stability into question. Additionally, scandals including PPI (Payment Protection Insurance) mis-selling and LIBOR (London InterBank Offered Rate) manipulation (PCBS, 2013) provoked public distrust. Campaign groups such as Global Justice, 350.org, Fossil Free UK and Move Your Money (MYM) have also raised public awareness of the banks' heavy financing of fossil fuels, weapons manufacture and financial speculation on basic commodities such as food.

For UK banking to contribute to (rather than undermine) economic stability and environmental sustainability, fundamental change is required. Yet the crisis has prompted only incremental regulatory changes focused on fostering greater competition between the existing major players (BIS, 2013; HMT, 2014).

Values-based banking (VBB) has emerged as a banking model that prioritises social and environmental objectives alongside profitability (UNEP, 2015; GABV, 2016), and offers an innovative model with the potential to establish a more sustainable banking sector. However, the big five banking groups (Lloyds, Santander, Barclays, HSBC, RBS and their subsidiaries) maintain market dominance, and sustainable innovations have not diffused widely or achieved significant influence (CMA, 2015b).

We therefore aim to better understand how the existing banking system resists fundamental change toward sustainability, and investigate the potential of a transition toward a more sustainable UK banking sector. Specifically, we assess the scope and potential for two flagship VBBs – Triodos Bank UK (hereafter Triodos) and Ecology Building Society (hereafter Ecology) – to develop current accounts and increase their influence. Our proposed analytical framework brings a new perspective to bear on the subject of retail banking. It is one developed to analyse complex multi-scalar, co-evolving sociotechnical

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systems, bringing insights from studies of everyday practices, innovation and social change. This research offers useful insights for understanding the nature of system change required for a shift toward VBB in the retail banking sector. The multi-level perspective (MLP) and social practice theory (SPT) are two leading approaches in this field, offering distinctive insights into regime or sectoral-change and practice-change respectively (Geels and Schot, 2007; Shove, 2003). In this context the MLP would understand transitions to sustainable banking as a niche innovation aiming to disrupt the existing banking system, and SPT as new elements in practices which aim to configure an emerging set of sustainable banking practices. Each perspective has valuable insights to make about the potential and barriers to systemic sustainability transitions, yet neither has yet been applied to the study of sustainable banking (regimes or practices). This paper provides a previously neglected empirical site to transitions research (Loorbach and Huffenreuter, 2013). However our *principal* aim here is to apply and test a novel conceptual approach which adopts both approaches simultaneously (developed in Hargreaves et al., 2013), and could potentially bring additional insights to the challenge of unlocking transformative innovations for sustainability. We thereby aim to extend the reach of existing literature by showing how agents of change must consider both systems and practices simultaneously in order to be effective.

Our core research questions are thus: what are the intersections between transitions in the banking *regime* and banking *practices*, and how may critical points of constraint be unlocked to become points of opportunity, thereby aiding a transition to more sustainable banking systems? To answer these questions we present new empirical findings from twin analyses of sustainable banking through MLP and SPT lenses, to learn from the ways these frameworks intersect. We use a mixed-method qualitative case study of the UK retail banking system, focusing on VBBs. We conduct semi-structured in-depth interviews with five banking experts and eleven banking service users, desk research and observation at industry events such as the Ecology Annual General Meeting. We aim to demonstrate the added-value of this combined approach through indicating the strategies it generates for unlocking the transformative potential of sustainable innovations which go beyond that suggested by existing research.

The next section outlines our theoretical contexts and new conceptual framework, and the retail banking sector which forms our case study. Methods of investigation are explained in the following section. We then present findings from our parallel investigations, of values-based niches and of sustainable banking proto-practices. Our integrated framework identifies critical points of intersection and constraint between sustainable transitions in regimes and practices, and we indicate how these may be transformed into points of opportunity to enable a transition to more sustainable banking. Finally, we reflect on the implications for further research, policy and practice.

2. Theoretical Contexts

To assess the opportunities and challenges of achieving a transition to more sustainable banking, requires an understanding of the interlocking complex, co-evolving sociotechnical systems which constitute it. Røpke (2017) takes an ecological economics perspective and defines the financial system as a ‘cross-cutting distribution system’, seeking to understand its influence on society’s energy and material throughput within the biosphere (p. 150). This promising approach specifically addresses systems which are not defined by the usual criteria of fulfilling a specific societal function (e.g. energy, water etc.).

However, here we are seeking to grasp the dynamics of social change and innovation, and so we turn to theories of innovation in sociotechnical systems. To the extent that sustainable banking represents a *radical* change from the status quo, we can see these initiatives as innovative niches and novel proto-practices, and draw on theories of innovation and social change. The two bodies of literature we engage with here (the Multi-Level Perspective and Social Practice

Theory) are the most pertinent for several reasons: theoretically, they both address the dynamics of social change and innovation, and are both gaining traction in the transitions literature; and empirically because a number of actors have been seeking radical change (transition) in the banking sector. Røpke (2017: 146) affirms that, “financial systems are constituted by both professional and everyday practices that continuously reproduce and modify their functioning, including the relevant institutions and material arrangements”. Our study examines everyday banking user practices within the context of an attempted regime transition to VBB.

In Section 2.1 we review the literature on innovations in regimes and discuss its relevance for the banking system. In Section 2.2 we discuss social practice theories and their applicability to understanding banking practices and how these may change. In Section 2.3 we present our novel conceptual framework which integrates the two approaches for the first time. Last, in 2.4 we outline our empirical case of retail banking in the UK.

2.1. Understanding Transitions in Regimes

The Multi-Level Perspective (MLP) is an heuristic tool for understanding patterns and trajectories of change in socio-technical systems (defined as providing a societal function such as energy, water, housing etc. and therefore combining elements such as infrastructure and institutions, users, policy and knowledge as well as technologies) (Geels, 2002). The framework describes three tiered levels of increasing stability of sociotechnical configurations: landscape, regime and niche. A regime (e.g. the food system or transport system) comprises several inter-related dimensions such as technology, policy, law, cultures and user expectations which give the regime considerable lock-in, resilience, and stability in the face of shocks. Innovations within the regime are path-dependent, and therefore offer only incremental improvements as solutions to pressures and crises (Berkhout et al., 2004; Geels, 2010). The MLP explains processes of transition in regimes, and examines the role and potential of radical niche innovations, i.e. novel projects testing a fundamentally different model with the aim of disrupting incumbent sector-based regimes (see Geels and Schot, 2007; Geels, 2010), such as solar PV developing in a niche space before attempting to compete with the energy sector incumbents.

Radical niche innovations (novel socio-technical configurations) are fragile and unstable, comprising experimental projects, their networks and intermediaries, which emerge in response to perceived problems in the regime. Their success (stabilisation, diffusion and influence) depends both on factors within the niche as well as external conditions. Strategic Niche Management (SNM) examines the processes by which niches gain sufficient momentum, develop dominant designs and seize opportunities for influencing the regime. Niche innovations emerge and develop in protective spaces, shielded from competitive market pressures until they are able to compete with the dominant systems. Niche-building analyses incorporate learning, networking and visioning processes (e.g. Kemp et al., 1998). Successful learning refers to finding best practice, e.g. by measuring progress and sharing knowledge. Second order learning is achieved by changing wider cognitive frames. Networking relates to enrolling new actors with expertise that can contribute credibility and resources to the niche. Successful niche visioning is the articulation of clear and realistic aims which people are able to rally behind (ibid).

The landscape level represents long term, slow-moving and deeply embedded trends that provide stability (or disruption) to a multitude of regimes. Landscape changes (e.g. climate change, the rise of environmentalism, wars or global recessions) put pressure on and may disrupt the incumbent regime, so opening a window of opportunity for well-developed niche innovations to intervene.

The MLP has predominantly been applied to the study of historical transitions in single-sectors such as transport and energy (Geels, 2002; Verbong et al., 2008), which have emerged from the development of

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